IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD

SEPTEMBER 18, 2007

APPEARANCES:

BOARD MEMBERS:
PEGGY BARBAR - PUBLIC MEMBER
KATIE DYE - PUBLIC MEMBER
BRUCE PRATHER - GAS AND OIL REPRESENTATIVE

CHAIRMAN:
BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

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

SHARON PIGEON - ASSISTANT IN THE ATTORNEY GENERAL'S OFFICE

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*Answer questions to matter brought up in Public Comments in Aug. 4

**Approve minutes 274

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

PEGGY BARBAR: Peggy Barbar, the Dean of Engineering, Southwest Virginia Community College, a public member.

KATIE DYE: Katie Dye, a public member from Buchanan County.

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

BRUCE PRATHER: I'm Bruce Prather. I represent the oil and gas industry.

BOB WILSON: I'm Bob Wilson. I'm the Director of the Division of Gas and Oil and Principal Executive to the Staff of the Board. Mr. Chairman, before---.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: ---we get started this morning, if you don't mind, I would suggest that we address an issue that was brought up last month at the hearing during the public comment session. If you will recall, there were statements made by Mr. John Sheffield regarding the establishment of the VP8SGU-3 sealed gob unit. On

instructions of the Board, I instructed CNX Gas Company to respond to those questions today and maybe we can address that first off this morning.

BRUCE PRATHER: Which item is this?

BOB WILSON: It's not on the docket.

BRUCE PRATHER: Okay.

MARK SWARTZ: Mark Swartz and Les Arrington.

BOB WILSON: I might add, this was not a docket item. This was a request of the Board for information.

JOHN SHEFFIELD: John Sheffield.

BENNY WAMPLER: While we're...while we're getting started just a reminder to cut your cell phones off, please, so that we don't have disruptions. Just a pocket check. Mr. Swartz, you may proceed.

MARK SWARTZ: I may have the issue wrong, but as I understand the issue, there's a complaint about the way royalty is being paid in this unit. That's what I'm...you know, we sort of done our homework so I can address that. Is that...have I got it right?

BOB WILSON: I'm sorry?

MARK SWARTZ: There's a complaint about how royalty is being paid.

BOB WILSON: The complaint basically, as I understand it, was that the gas from the SGU-3 unit was

being produced as sealed gob prior to approval by the Board.

MARK SWARTZ: Okay, okay. The dates, I think, sort of answer the question. So, let me...let me run through this with you. As...maybe I should be sworn to sort of save time here.

(Mark Swartz is duly sworn.)

MARK SWARTZ: If you need, Les, we can...we can default to him. The seals in the mine area, you know, down in the mine, were completed by the end of December of ‘05. This is a shaft mine. The shaft was not sealed until April of ‘06. So, we’ve got underground seals in place, and we know that because there was no vent...there was no mine ventilation in this area in January...as of January. So, the seals in the mine were in place at that point, but the shaft was not sealed until April. The application to create the unit and then pool the unit was filed on February the 17th of ‘06. The hearing date was March the 21st of ‘06. At the hearing, the application to create the unit and to pool the unit was approved. In June, the order was entered, June the 19th...the official order was entered June the 19th of '06 and after we filed in February, after the hearing in March, after the unit...the shaft was sealed in April, we were then paying royalty, I mean, after all of this had happened for February. So, when we paid the February, March

and April royalty, we paid on a sealed gob basis. I mean, that's what happened. The net effect of all of this is we would pay the same amount of money if we went back and recalculated February, which I'm not recommending and I'll come...I'll come to the reason for that in a moment. But, you know, if you decided that you want us to recalculate February, we could certainly do that. I mean, the same amount of money would be due some collection of royalty owners. It would just be a different collection. It would be the paneled people as opposed to everybody who was in the sealed gob unit, you know, and it's possible that Mr. Sheffield, for example, would receive less money than he has received. I mean, I don't know, but if we did that, we would be recouping money from some people and we would be paying additional money to other people, but the net dollars out of...you know, the royalty dollars would be the same. The reason that I would recommend to you that the royalty payments stay in place as made is, you know, what was happening underground essentially, you know, even though the shaft wasn't sealed and the unit wasn't completely sealed at the point that we filed and at the point that we had a hearing, because the seals were in place underground in effect from the standpoint of, you know, segregating that gas from the rest of the mine, we had, you know, a sealed

gob unit that was 99% sealed. To reach back when the royalty...because, you know, there's a sixty to ninety day lag in royalty payments. So, to reach back, you know, in front of the filing date and the hearing to pay the first half of February and then the second half of February because the filing date was in February, I think was a reasonable way to handle this. Now, if you conclude that you want that readjusted, I mean, we can...we can certainly do that. But I think to pay royalty in a sealed gob unit after it had been approved, you know, it wasn't like we were paying royalty in February before we had been here, I think was a reasonable choice that the operator made under the circumstances and I think it recognized the correlative rights...the reality of the correlative rights in that unit once we had the mine seals in place. So, you know, that's why we did it and that's what we did and that's the timing of it. I think the suggesting may have been that the timing was wrong....you know, that we were making payments before we had approval and that clearly did not occur. So, that's, you know---.

BENNY WAMPLER: Do you have questions, Mr. Wilson?

BOB WILSON: No, sir, not at this time.

BENNY WAMPLER: From members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Sheffield?

JOHN SHEFFIELD: Well, I guess I just want to understand. You had the...do I need to swear myself in?

(John Sheffield was duly sworn.)

JOHN SHEFFIELD: I guess a...you know, a little communication and heads up. I mean, you...Mr. Swartz, let me make sure I understand this, you had it paneled...excuse me, correction, wrong term. You had the...everything sealed except the shaft?

MARK SWARTZ: That's what I said and that's true.

JOHN SHEFFIELD: Yes...yes, sir. I mean, I'm just making sure that I understand.

MARK SWARTZ: Right.

JOHN SHEFFIELD: So, I guess I need to understand when you seal something, I mean, do you try to do that pooling order...when do you do that? Do you do after that point or before that point or during that point or---?

MARK SWARTZ: You know, in a perfect world we would have complete control over the coal company and we would... they would like to keep us informed, you know. If we have warning, we do it as soon as we know. If we don't have warning, we do it as soon as we learn it and it's not always perfect.

JOHN SHEFFIELD: Right.

MARK SWARTZ: So, I mean, you know, they're mining coal. They're operating their business.

JOHN SHEFFIELD: Uh-huh. Right.

MARK SWARTZ: You know, when we found out that the...that the seals were essentially done underground, we filed.

JOHN SHEFFIELD: Well, I guess...who is the coal company that did that?

MARK SWARTZ: I'm pretty sure it's Island Creek.

JOHN SHEFFIELD: Island Creek?

LESLIE K. ARRINGTON: Consol.

JOHN SHEFFIELD: Consol?

MARK SWARTZ: Or Consol.

JOHN SHEFFIELD: Okay. Okay. Well, once again, I'm just going to the point that it seems like it appears that there should have been more communication once you started sealing something versus when you got a...you know, went and got approval from the Board because essentially you did go back and pay the royalty based on the seal back in February, right, in June?

MARK SWARTZ: I just said that.

JOHN SHEFFIELD: Okay.

MARK SWARTZ: And that that seem to be a reasonable choice to make under the circumstances. I mean,

I guess my question is, are we paying royalty---?

JOHN SHEFFIELD: I guess, maybe---.

MARK SWARTZ: ---are we paying royalty in a fair way?

JOHN SHEFFIELD: And it's not really the royalty. I mean, I come to this Board and I respect this Board and I'm trying to understand why this is happening in February when the Board didn't approve this thing to be sealed until March or maybe some communication, “Hey, by the way, we did begin sealing this in February because we had to, you know.” or something.

MARK SWARTZ: We didn't pay royalty in February for that production. I think we paid it in June actually.

JOHN SHEFFIELD: Yeah, you had---.

MARK SWARTZ: You know, so, I mean, it was...you know, we were not paying royalty on a sealed gob basis until substantially after we had had a hearing in front of this Board. The question from my standpoint is, is it a reasonable and fair choice to pay royalty under these circumstances to all of the owners in February as we did or does the Board feel that it would be more fair to default to a panel under these...I mean, that's to me is the issue. It's not a question of did we run off and change the way we paid royalty before we filed the petition, had a hearing and

got approval. The answer to that is, the dates just don't work. We didn't...we didn't do that.

JOHN SHEFFIELD: Okay. Well, then I guess I go back to your explanation about people that would have been in the panel if we're going to go in that direction. My direction is, I don't fully understand and you can educate me, and you're doing a good job so far, as to when you come before the...when does somebody doing a sealed gob unit come before the Board and say, “We're going to go and seal it now or it's pretty much sealed or, you know, 99% sealed at this time. It's not...it's not what it has been.”

MARK SWARTZ: It's going to be different every time. I mean, sometimes we're here before we have started seals.

JOHN SHEFFIELD: Okay.

MARK SWARTZ: Sometimes we're here because we didn't even know the mine was sealed and we're told “The mine is sealed” and we don't even have an application on file. Sometimes we're here under these circumstances where we know it's coming and it's not completed. So, I mean, the answer is variable.

JOHN SHEFFIELD: Okay.

MARK SWARTZ: You know, I've been here at times when the mine has been...it has been sealed and we found out

about it after the fact, you know, and filed as soon as we could. But, you know, we don't...we're not a coal mining company.

JOHN SHEFFIELD: Well, CNX and Consol don't communicate then that much or rarely.

MARK SWARTZ: You can draw whatever conclusions you want.

JOHN SHEFFIELD: Well, I would just move that it appears that you...I understand what you're saying about the coal company. It seems like there should have been some kind of communication of the Board and the land owners that, you know what we're getting this approving in March, but, you know, this is how it's going to be. That this is...that we're going to back to February for the seal. Was there any communication like that?

MARK SWARTZ: Mr. Sheffield, let me explain something to you. What if we had come here in March for a hearing and the Board said, “We're not creating this unit and we're not pooling it.” We couldn't make a decision on how we were going to pay February until we had a hearing. I mean, I don't assume when I file an application that it's always granted. Much to my dismay, occasionally, this Board says, “We're not doing that.” So, I mean, we didn't have an answer to whether...the question of whether or not we needed

to continue paying on a panel basis or we could convert to a sealed gob basis and pay more people until we were here in March. So, I mean, there wasn't some decision made---.

JOHN SHEFFIELD: So---.

MARK SWARTZ: ---until we had an order.

JOHN SHEFFIELD: So, basically, the mine was 99% sealed before we had the pooling order in order March the 21st, right?

MARK SWARTZ: Well, I've said that.

JOHN SHEFFIELD: Okay. All right.

MARK SWARTZ: The shaft was not sealed.

JOHN SHEFFIELD: I just didn't know...I didn't know what the procedure was as far as that being done ahead of the Board...before the pooling order.

MARK SWARTZ: This Board doesn't have control over mining. You know, we just...I mean, they're kind of in the same position we are. You know, we report to them where we understand...like I'm doing today.

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: The key is correlative rights. Were the correlative rights protected of the parties---?

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: ---and at what...at what point?

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: And, you know, I guess---.

MARK SWARTZ: That's what I'm trying to address.

BENNY WAMPLER: Maybe you can now rephrase your question to the Board. You seal...you seal...the seal occurred February the 17th, is that---?

JOHN SHEFFIELD: That was the order.

MARK SWARTZ: No, no.

JOHN SHEFFIELD: Or the application, excuse me.

BENNY WAMPLER: No, the hearing was...the application was the 17th.

MARK SWARTZ: We filed our application on February the 17th.

BENNY WAMPLER: Right.

MARK SWARTZ: The shaft was sealed in April. The underground seals, as we understand it, were completed at the end of December. We paid royalty at...it looks like paid February's royalty to Mr. Sheffield at least in June. So, it was---.

BENNY WAMPLER: Right.

MARK SWARTZ: It may actually have been after the written order was entered, but the pooling of this unit and the creation of this unit was approved by this Board on March the 21st. At that point, the unit...the shaft wasn't sealed and at that point, obviously, we hadn't paid the

royalty because it came some months later.

BENNY WAMPLER: Right.

MARK SWARTZ: The question really that I think---.

JOHN SHEFFIELD: Okay.

MARK SWARTZ: I can't speak for you guys. But, you know, I would think that the question before the Board is, is the payment on a sealed gob basis under these circumstances for the month of February is the reasonable way to go for correlative rights?

JOHN SHEFFIELD: Well, I can...I was...probably... Les, can probably answer this. In the last panel there, so if we're going to go that way, I'm just asking if it was done in a timely manner. I'm probably wrong then. But since you go that way, I was the last part of the panel. So, I guess, you know, you could recalculate that if you wanted to and let me know.

MARK SWARTZ: Well, I'm not sure that, you know---.

JOHN SHEFFIELD: Well, then I'll ask them if we can do that.

MARK SWARTZ: Well, your problem is you need to ask them to do it for everyone. They can't---.

JOHN SHEFFIELD: Sure.

MARK SWARTZ: You know, they can't---.

JOHN SHEFFIELD: Well, no, I---.

MARK SWARTZ: You know, if that's what you want, they will make a decision.

BRUCE PRATHER: Once the barriers were put in place in the mine then there was no gas being taken from the mine.

MARK SWARTZ: Well, there is no gas being taken from the sealed area by the mine ventilation.

BRUCE PRATHER: Exactly.

MARK SWARTZ: It's a container that in theory has an exit to the atmosphere through the shaft---.

BRUCE PRATHER: Right.

MARK SWARTZ: ---which did not get sealed at that point. So, the reality from engineering stand point is you're pretty much there on a sealed basis even though you haven't completed the seal.

BRUCE PRATHER: Well, if you don't have a shaft sealed, there's not way you can monitor what was coming out of it.

MARK SWARTZ: Well, I mean, we were metering what was coming out it. Do you mean what you were losing out of the mine?

BRUCE PRATHER: Yeah, I mean, you've got the thing sealed up to maybe the shaft. There shouldn't be anything

coming out of that shaft.

MARK SWARTZ: Well, you don't seal it up to the shaft. You're sealing---.

BRUCE PRATHER: Just in sections.

MARK SWARTZ: This is 5,000 acres.

BRUCE PRATHER: Yeah, you're sealing sections.

MARK SWARTZ: So, the seals are likely to be quite some distance from the shaft.

BRUCE PRATHER: Okay.

MARK SWARTZ: So, there wouldn't...you know, the shaft was communicating between the atmosphere and the sealed area... what was...what was not in comm...no longer in communication, which would allow you to stop ventilating was that we had sealed off the mine works...the active works from the sealed gob area. I shouldn't say we had, the coal company.

BENNY WAMPLER: And you paid from the date of application?

MARK SWARTZ: No, I believe we paid for that...that month, that February month.

BENNY WAMPLER: That month that the application was filed?

MARK SWARTZ: Right. Because it would be pretty tricky to allocate the production on---.

BENNY WAMPLER: Right, right, right, right.

MARK SWARTZ: ---a daily basis. I mean, we could probably...probably do it, although I'm not sure.

BENNY WAMPLER: I mean, me personally, I can't see how anybody's correlative rights were jeopardized by doing that. If anything, in a sealed area, you're going to get a little more than you would otherwise. So, if anything, you had...you should have had more payout in the sealed area than you would have the other way.

MARK SWARTZ: And your point is that there should have been more gas because it's not being lost to general mine ventilation too. So, the production might have been---.

BRUCE PRATHER: Well, your pressure---.

MARK SWARTZ: Should have been better.

BRUCE PRATHER: Your pressure got behind those seals, the gas pressure.

JOHN SHEFFIELD: Now, do you also pull the panel on that...the last panels, do you pull those too right before the seal or right after the seal or---?

MARK SWARTZ: You're not mining in there.

BENNY WAMPLER: The seal is---.

JOHN SHEFFIELD: You're not mining, it's already gone...I mean, it's---.

MARK SWARTZ: You're out there.

JOHN SHEFFIELD: Okay.

MARK SWARTZ: You can't be mining in there if you're not ventilating. I mean---.

JOHN SHEFFIELD: Right. Well, I'm sorry, but the pay really wasn't the issue with me. The point was, and I think he has answered it now, my question was having it sealed before we had a pooling order in place. So, he said it was 99% sealed. We paid on a sealed basis. I guess if the Board is satisfied, I'm satisfied.

BENNY WAMPLER: All right. Thank you.

JOHN SHEFFIELD: Thank you.

BENNY WAMPLER: The next item on the agenda is a petition from CNX Gas Company, LLC---.

JOHN SHEFFIELD: Thank you, Mark.

BENNY WAMPLER: ---for pooling coalbed methane unit M-41, docket number VGOB-07-0821-1983. This was continued from August. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz, Mr. Chairman. We would like to withdraw this one. We've refiled it and straightened out. It will be on next month's docket, I think. So, we don't need this one.

BENNY WAMPLER: Do you have any other cleanup?

MARK SWARTZ: Yes. We've got a notice issue on number thirteen and we'd like to continue that one to fix that. The notice actually was for June, which got published, which probably is not a good idea.

BENNY WAMPLER: Okay. That's docket number VGOB-07-0619-1941-01 and that's continued.

MARK SWARTZ: Correct.

BENNY WAMPLER: All right. The next item on the agenda is a petition from CNX Gas Company, LLC for pooling coalbed methane unit BH-107, docket number VGOB-07-0821-1986 and this was continued from August.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

(Leslie K. Arrington is duly sworn.)

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Would you state your name for us, Les?

A. Leslie K. Arrington.

Q. What do you do for a living?

A. I'm manager of environmental and permitting for CNX Gas Company, LLC.

Q. And what involvement do you have in the pooling?

A. I supervise the preparation of all of the documents that's included in the application and the notice of hearing.

Q. And do you actually sign...did you actually sign all of the notices of hearing and all of the applications that were filed today?

A. Yes.

Q. And also, I think, the affidavits of due diligence, correct?

A. Yes.

Q. Okay. And did you either prepare the exhibits or supervise their preparations?

A. Yes.

Q. Okay. Who is the applicant?

A. CNX Gas Company, LLC.

Q. And who is it that the applicant is requesting be appointed by the Board as its operator if the applications are approved?

A. CNX Gas Company.

Q. Is CNX Gas Company a limited liability company?

A. Yes, it is.

Q. And is it a limited liability company formed in Virginia?

A. Yes, it is.

Q. Is it authorized to do business in Virginia?

A. Yes, it is.

Q. Has it registered with the DMME?

A. Yes, it has.

Q. As an operator?

A. Yes.

Q. And has it filed a blanket bond as is required by law?

A. Yes, we have.

Q. There are a number of folks in this unit that you have been able to lease, is that correct?

A. Yes.

Q. And what were the lease terms that you offered them?

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

Q. Okay. In unit BH-107, what did you do to notify people that there was going to be a hearing today?

A. We mailed by certified mail return receipt requested on July the 20th, '07. We published in the Bluefield Daily Telegraph on July the 28th of '07.

Q. Have you filed your certificates with regard to mailing and your proof of publication with Mr. Wilson.

A. Yes, we have.

Q. And when you published in the newspaper, what was it that was published?

A. The notice of hearing and location exhibit.

Q. Okay. And when you mailed, did you mail to all of the respondents listed in the notice and in Exhibit B-3 that you had addresses for?

A. Yes, we did.

Q. Okay.

A. In last month's hearing, we were given an additional address. That's the reason we had to continue it.

Q. Okay. Did you---?

A. We have here return---.

Q. ---have certificates?

A. The certificates, yes.

Q. Okay. With regard to that address?

A. Yes.

Q. Okay. And who was that person?

A. Wesley Hatfield.

Q. Okay. What interest have you been able to acquire in BH-107 and what are you seeking to pool today?

A. 98.5474% of the coal owner's claim to coalbed methane and 98.5303% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 1.4526% of the coal owner's claim to coalbed methane and 1.4697% of the oil and gas owner's claim to coalbed methane.

Q. Okay. And this is what kind of a unit?

A. It's a Middle Ridge. It has 58.74 acres in it.

Q. How many wells are you proposing to drill?

A. One.

Q. Is the proposed well in the window?

A. Yes, it is.

Q. Okay. And is it going to be a frac well?

A. Yes.

Q. Have you provided a well cost estimate to the Board?

A. Yes. It's $227,107.02 to a depth of 2665. The permit number is 8350.

Q. Okay. And there are some unknown addresses in Tract 7, I think?

A. Yes, Tract 7.

Q. And there are some conflicts in Tract 6 that would also require escrow, is that correct?

A. Yes, correct.

Q. Is it your opinion that drilling one frac well in this Middle Ridge unit is a reasonable way to develop the coalbed methane?

A. Yes, it is.

Q. Is it your further opinion that if you combine the pooling efforts that you've succeeded in...that the applicant has been successful in with a pooling order pooling the outstanding interests, which are slightly less than a percent and a half in both instances, that the correlative rights of all people...all claimants in this unit will be protected?

A. Yes, they will.

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

A. No.

Q. Do you want to dismiss anybody?

A. No.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: I abstain.

BENNY WAMPLER: One abstention, Ms. Dye. The next item is the Board on its own motion will reconsider prior approval of disbursement of funds to Juanita---. How do you pronounce that, Bob?

BOB WILSON: Przybycki.

BENNY WAMPLER: ---Przybycki Heirs in a conventional unit EH-18. This is docket number VGOB-90-0419-0004-01. We'd ask the parties that wish to address the

Board in this matter to come forward at this time.

BOB WILSON: Mr. Chairman, this is...if you will recall, was an item that I requested the Board to put back on the docket because we had found discrepancies between testimony and exhibits and old orders.

BENNY WAMPLER: Right.

BOB WILSON: Mr. Jim Talkington is actually trying to help these folks get their disbursement. I got a note from him and a phone call stating that he has not yet gotten the paperwork from these folks that he needs in order to do this disbursement and asked that this be carried forward until next month.

BENNY WAMPLER: Okay. So that's continued. Next is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 329 SSS-35, docket number VGOB-07-0918-2008. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TOM MULLINS: Morning, Mr. Chairman. Tom Mullins and Pebbles Deel from the Street Law Firm representing GeoMet. Also with us is Jeff Taylor with GeoMet Operating, Inc.

GEORGE MASON: George Mason, attorney representing LBR Holdings, LLC. I'm here in support of the petition for

pooling by GeoMet.

(Jeff Taylor is duly sworn.)

JEFFERY HOWARD TAYLOR

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

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your full name?

A. Jeffery Howard Taylor.

Q. And by whom are you employed?

A. GeoMet Operating Company.

Q. What are your job duties with GeoMet?

A. The project manager of Virginia and West Virginia operations.

Q. Does that include overseeing the preparation and filing of applications for force pooling such as we have here today?

A. Yes.

Q. Are you familiar with the application that has been filed with this Board and is pending today?

A. I am.

Q. And that is for the Oakwood Coalbed Gas Field unit SSS-35, is that correct?

A. It is.

Q. How many acres are in this unit?

A. 80.

Q. Does GeoMet have drilling rights for this unit?

A. Yes.

Q. Are there any parties respondent that are listed on Exhibit B-3 that you are asking the Board to dismiss today?

A. There is. Equitable Production Company, Cynthia Ann Stacy Blankenship and Gary Stacy.

Q. All right. What is the percentage of the coal ownership that GeoMet has under lease?

A. 100%.

Q. What is the percentage of gas ownership that GeoMet has under lease?

A. 84.515.

Q. Was notice sent to those parties entitled to notice under Virginia Code Section 45.1-361.19 by---?

A. Yes.

Q. Excuse me. ---certified mail, return receipt requested?

A. Yes.

Q. Okay. I have just filed those green cards

with the Director moments ago. Was notice provided by way of publication in the newspaper of general circulation?

A. Yes.

Q. Okay. Is GeoMet authorized to do business in the Commonwealth of Virginia?

A. It is.

Q. Okay. Has GeoMet filed a blanket bond with the Department as required by statue?

A. They have.

Q. Are you familiar with the lease terms that GeoMet offers to folks who want to lease with them?

A. I am. They're $20 per acre for a five year paid up lease with one-eighth royalty.

Q. Based upon your experience in the oil and gas business, is that a reasonable...are those reasonable and fair lease terms?

A. They are.

Q. What is the percentage of the oil and gas estate that GeoMet is seeking to pool today?

A. 15.485%.

Q. And none of the coal estate, correct?

A. That's correct.

Q. Were there any unknown owners?

A. Not to our knowledge.

Q. Are there any parties whose interest are in dispute?

A. There is.

Q. Who are those parties?

A. LBR Holdings, LLC and the Rogers Cousins. The tracts involved are 1, 2 and 4.

Q. Okay. Have...does the application contained in Exhibit E showing what that conflicting ownership is?

A. Yes.

Q. Is GeoMet requesting that this Board pool those unleased interest in the unit?

A. We are.

Q. Where should correspondence be sent for anyone who wants to make an election?

A. It will be Joseph L. Stevenson. It's Land manager. GeoMet Operating Company, Inc., 5336 Stadium Trace Parkway, Suite 206, Birmingham, Alabama 35244.

Q. Okay. And did you assist in or supervise the preparation of the estimated well costs for this application?

A. I did.

Q. What's the total depth of this proposed well?

A. 2,280 feet.

Q. Have you estimated reserves?

A. The estimated recovery was 520 million cubic feet.

Q. And what is your estimate as to well completion costs?

A. $406,625.

Q. What about dry hole costs?

A. $172,750.

Q. Is there attached to the application an exhibit that lists these estimated costs?

A. Yes.

Q. Okay. Does the estimated well costs include a reasonable charge for the supervision of the drilling of this well?

A. It does.

Q. Okay. In your opinion, would the granting of this application promote conservation, protect correlative rights and prevent waste?

A. It would.

Q. Is there anything else that you need to tell the Board?

A. Yes. I think that's Tracts 1, 2 and 3 and not 1, 2 and 4---.

Q. Okay.

A. ---that are in conflicting.

Q. All right. Anything else?

A. No.

TOM MULLINS: I don't have any other questions.

BENNY WAMPLER: We'll need a revised exhibit correcting the ones that you've ask to dismiss, okay?

TOM MULLINS: We will submit that.

SHARON PIGEON: And on the escrow.

TOM MULLINS: We'll submit that.

JEFFERY HOWARD TAYLOR: Yes.

BENNY WAMPLER: Right.

SHARON PIGEON: Two exhibits.

BENNY WAMPLER: Two exhibits, right.

TOM MULLINS: Yes, sir.

BENNY WAMPLER: Mr. Mason.

GEORGE MASON: I have no questions other than LBR Holdings, LLC is in support of the petition for pooling by GeoMet.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BRUCE PRATHER: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 330 TTT-35. This is docket number VGOB-07-0918-2009. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TOM MULLINS: Tom Mullins and Pebbles Deel from the Street Law Firm on behalf of GeoMet Operating Company.

JEFFERY HOWARD TAYLOR: Jeff Taylor with GeoMet Operating Company.

GEORGE MASON: George Mason, attorney representing LBR Holdings, LLC. I am here in support of GeoMet's petition for pooling.

JILL HARRISON: I'm Jill Harrison. I'm with Alpha Natural Resources.

TOM MULLINS: Okay.

JILL HARRISON: I apologize to the Board and Mr. Chairman. I'm not sure that I need to be here. I got a phone call about five minutes ago from our land department that they had received a phone call on Friday about a force pooling and hearings today. So, I just need to find out if Buchanan Energy Company property is involved in these poolings. If they're aren't, I will leave.

BENNY WAMPLER: That's fine. Can you answer that question?

JEFFERY HOWARD TAYLOR: No, ma'am, they're not.

JILL HARRISON: Okay, great. Thank you very much. I'm sorry to interrupt.

BENNY WAMPLER: No a problem.

JILL HARRISON: She couldn't answer me and I said, "Okay, I'll go."

BENNY WAMPLER: That's the best way to do it.

JILL HARRISON: All right. Thank you all.

BENNY WAMPLER: No problem. All right, the record will show no others. You may proceed.

TOM MULLINS: Mr. Chairman, one thing I forgot to, I guess, clarify and I spoke with the Director yesterday these proposed well locations are outside the window, but they are pending permit applications that address that pursuant to the Board's prior orders. I'd like to

incorporate Mr. Taylor's prior testimony concerning his employment, if I may.

BENNY WAMPLER: That will be incorporated.

JEFFERY HOWARD TAYLOR

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

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Taylor, I'd like to ask you questions concerning coalbed methane, Oakwood Coalbed Gas Field unit TTT-35. How many acres are in this unit?

A. 80.

Q. All right. And does GeoMet have drilling rights in this unit?

A. Yes.

Q. Are there any party respondents that you have listed on Exhibit B-3 or that are listed on B-3 that you are asking the Board to dismiss today?

A. Yes. It would be Equitable Production Company, as well as they have the lease of Plum Creek Timber Lands and Pine Mountain Oil and Gas.

Q. What is the percentage of the coal ownership that GeoMet has under lease?

A. 99.85.

Q. And the gas ownership?

A. 82.6025.

Q. Was notice sent to those parties pursuant to the Virginia Gas and Oil Act by certified mail, return receipt requested?

A. Yes.

Q. And, again, those green cards have been filed with the Director this morning. Was advertisement for this application had in a newspaper of general circulation as required by statute?

A. Yes.

Q. GeoMet is authorized to do business in the Commonwealth of Virginia?

A. Yes.

Q. And has a blanket bond on place as required?

A. Yes.

Q. Are the same lease terms as you testified earlier offered in connection with this unit?

A. They are.

Q. What is the percentage of the oil and gas estate that GeoMet is seeking to pool?

A. 17.3975%.

Q. And the coal estate?

A. .15%.

Q. Are there any unknown owners?

A. Not to our knowledge.

Q. Okay. Are there any parties whose interests are in dispute?

A. Yes, there is. That would be, again, LBR Holdings and Rogers Cousins.

Q. Okay.

A. That being Tracts 1 and 4.

Q. What are the percentages for those tracts?

A. Tract 1 is 17.2% and Tract 4 would be .475%.

Q. Would that be .47 and .047---?

A. .0475, I'm sorry.

Q. That's okay. Is GeoMet requesting that the Board pool these unleased interests in the unit?

A. Yes.

Q. And should correspondence be sent, as you testified earlier, to Mr. Joseph Stevenson?

A. Yes.

Q. And did you assist or supervise the preparation of estimated well costs for this application?

A. Yes.

Q. What's the total depth of this proposed well?

A. 2,321 feet.

Q. What are the estimated reserves for this particular unit?

A. Estimated recoverable would be 416 million cubic feet.

Q. And what are the estimated well completion costs?

A. $425,800.

Q. And the estimated dry hole costs?

A. $184,250.

Q. Has GeoMet caused a estimated well cost exhibit be attached to the application?

A. Yes.

Q. Does that estimate include a reasonable charge for the supervision of the drilling of this well?

A. It does.

Q. Would it be your opinion that the granting of this application, promote conservation, protect correlative rights and prevent waste?

A. It would.

TOM MULLINS: I don't have any further questions, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Mr. Mason, do you have---?

GEORGE MASON: No questions just...other than to say that LBR Holdings, LLC is support of GeoMet's petition for pooling.

BENNY WAMPLER: Okay. We'll need a revised exhibit, again, of the dismissal.

TOM MULLINS: Yes, sir.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BRUCE PRATHER: Second.

BENNY WAMPLER: And second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You approval. Thank you.

TOM MULLINS: Thank you, Mr. Chairman. Thank you, Board.

BENNY WAMPLER: Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit A-18, docket number VGOB-07-0918-2010. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

(Off record.)

MARK SWARTZ: Mark Swartz and Les Arrington.

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

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you're still under oath.

A. Yes.

Q. State your name.

A. Leslie K. Arrington.

MARK SWARTZ: Mr. Chairman, I would request that Mr. Arrington's testimony from the prior hearing with regard to his employment, standard lease terms and the applicant and operator be incorporated.

BENNY WAMPLER: That will be incorporated.

Q. Les, what kind of a unit do we have here in A-18?

A. This is an Oakwood unit. It's a 107.37 acres. it's a makeup unit in the Oakwood Field to get it over to the Nora Field.

Q. Okay. I think it's a 107.35 and not .37.

A. Okay, okay.

Q. Okay. And it's on a boundary, so it's a makeup.

A. Yes.

Q. How many wells are proposed?

A. Two.

Q. And I think they're both inside the window, is that correct?

A. Yes, they are.

Q. Okay. And have you provided a well cost estimate?

A. Yes. For A-18, the well cost estimate is $278,957.65 to depth of 2324. A-18A is $289,592.13 to a depth of 2402.

Q. And do you have permits for these wells?

A. Yes. The permit number for A-18 is 7821 and 18A is 7820.

Q. Okay. And the total, if I'm not mistaken, which is set forth in the notice and in the application of the two well costs is $568...568,549.78. Is that correct?

A. I believe it is, yes.

Q. Okay. What did you do to tell people that there would be a hearing today?

A. We mailed by certified mail on August 17, 2007. We published in the Bluefield Daily Telegraph on August 25, 2007.

Q. When you published, what...what was printed in the newspaper?

A. The notice of hearing and location exhibit.

Q. And have you filed your certificates with regard to mailing and your proof of publication with Mr. Wilson?

A. Yes, we have.

Q. What interests have you acquired and what are you seeking to pool?

A. We've acquired 95.6062% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 4.3938% of the coal, oil and gas owner's claim to coalbed methane.

Q. Do you want to add anybody as respondent today?

A. No.

Q. Do you want to dismiss anybody?

A. No.

Q. There's no escrow requirement, is that correct?

A. Correct.

Q. Is it your opinion that drilling two frac wells in this Oakwood unit is a reasonable way to develop the coalbed methane resources?

A. Yes, it is.

Q. Is your further opinion that if you combine the pooling efforts or the leasing efforts and acquisition efforts of the applicant with a pooling order that the correlative rights of all owners and claimants will be protected?

A. Yes, it will.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: Abstain.

BENNY WAMPLER: We have one abstention, Ms. Dye. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit B-17, docket number VGOB-07-0918-2011. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, could you state your name for us again, please?

A. Leslie K. Arrington.

MARK SWARTZ: Mr. Chairman, I would like to incorporate Mr. Arrington's previous testimony today with regard to the applicant and the operator, standard lease

terms and his employment, if I could.

BENNY WAMPLER: That will be incorporated.

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

A. Yes.

Q. Okay. What kind of a unit is this?

A. It's an Oakwood 80 acre unit.

Q. How many wells are proposed?

A. One.

Q. And this well is outside the window, I think.

A. Yes, it is.

Q. Okay. And do you have a permit for this well?

A. Yes, 186...no, I'm sorry. 7918.

Q. Okay. Have you provided a well cost estimate?

A. Yes, we have. It's $322,440.92. The depth is 1860.

Q. Okay. It looks like this well has already been drilled.

A. Yes.

Q. Okay. What did you do to notify people that we were going to have a hearing today?

A. It was mailed by certified mail August 17 of '07 and published in the Bluefield Daily Telegraph on August 25 of '07.

Q. And when you published, what appeared in the newspaper?

A. The notice of hearing and location exhibit.

Q. And have you filed your certificates with regard to mailing and your proof of publication with Mr. Wilson?

A. Yes, we have.

Q. What interests have you acquired and what are you seeking to pool?

A. We've acquired 73.325% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 26.675% of the coal, oil and gas owner's claim to coalbed methane.

Q. There's no escrow requirement here?

A. No.

Q. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. Is it your opinion that drilling one frac well in the location depicted on the plat is an appropriate

and reasonable way to develop the coalbed methane within and under this unit?

A. Yes, it is.

Q. Is it your further opinion that if you combine the pooling and acquisition efforts...successful efforts of the applicant with a pooling order, that the correlative rights of all owners and claimants will be protected?

A. Yes, it will.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BENNY WAMPLER: Is there a second?

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

KATIE DYE: Abstain.

BENNY WAMPLER: You have approval. One abstention, Mrs. Dye. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit G-22, docket number VGOB-07-0918-2012. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington again.

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

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, I want to remind you that you're under oath.

A. Yes.

Q. State your name for us.

A. Leslie K. Arrington.

MARK SWARTZ: Mr. Chairman, I would again like to incorporate Mr. Arrington's testimony concerning the applicant and operator, standard lease terms and his

employment, if I could.

BENNY WAMPLER: That will be incorporated.

Q. What kind of a unit is this, Les?

A. This is an Oakwood 80.

Q. Okay. And what...what is the development proposal with regard to wells? How many?

A. One well in this unit.

Q. Okay. And this one is in the window?

A. Yes.

Q. Okay. Have you provided a well cost estimate?

A. Yes, we have. It's $298,825.77. The depth is 2,020 feet. The permit number is 7367.

Q. Okay. And what did you do to advise the respondents and others that there would be a hearing today?

A. Yes. We mailed certified mail, return receipt on August the 17th, 2007. We published in the Bluefield Daily Telegraph on August the 27th, 2007 and we published the notice of hearing and location exhibit.

Q. Okay. And have you filed your certificates with regard to mailing and your proofs of publication with Mr. Wilson?

A. We have.

Q. Okay. Do you want add any respondents

today or dismiss any?

A. We do have one to dismiss.

Q. Okay. And that's...would that be reflected in Exhibit B-2 that Anita has just passed around to the Board?

A. Yes, it is.

Q. Okay. And who are...who would you like to dismiss?

A. It's David Carl Baldwin.

Q. And what's the reason?

A. The interest is leased.

Q. Okay. So, between the time you filed and today you've obtained a further lease---?

A. Yes.

Q. ---which has slightly the interest that you're seeking to pool?

A. Yes.

Q. Okay. In that regard, there's...the last page is a revised Exhibit A, page two, right?

A. That's correct.

Q. And would you tell the Board what, at this juncture, you have been able to acquire and what it is you're seeking to pool?

A. We've acquired 99.98075% of the coal, oil

and gas owner's claim to coalbed methane. We're seeking to pool 0.01925% of the coal, oil and gas owner's claim to coalbed methane.

Q. Okay. And have you also tendered a revised Exhibit B that deletes David Carl Baldwin's name from the folks that are being pooled?

A. Yes, a B-3.

Q. Okay. And I think there is...is it true that there is no escrow requirement in this unit?

A. Correct.

Q. Is it your opinion that drilling a frac well in the location shown on the plat is a reasonable way to develop the coalbed methane in this unit?

A. Yes, it is.

Q. Is it also your opinion that if you combine a pooling order with your leasing and acquisition efforts, the correlative rights of all claimants and owners in this unit will be protected?

A. Yes, they would.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BENNY WAMPLER: Second?

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes, but Katie Dye.)

KATIE DYE: Abstain.

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: One abstention, Mrs. Dye. Next is a petition from CNX Gas Company, LLC of coalbed methane unit G-23, docket number VGOB-07-1918-0...I'm sorry, -2013. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

MARK SWARTZ: Mr. Chairman, I would like to incorporate Mr. Arrington's testimony concerning the applicant and operator, standard lease terms and employment.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. What kind of unit do we have here?

A. It's an Oakwood 80.

Q. How many wells are proposed?

A. One.

Q. And is it located in or outside the window?

A. It's within the drilling window.

Q. Okay. Have you provided the Board with a well cost estimate?

A. Yes. It's $297,009.50 to a depth of 2,040 feet. The permit number is 7365.

Q. Okay. What did you do to give the respondents and others notice that we were going to have a hearing today?

A. We mailed by certified mail, return receipt on August 17th of '07. We published in the Bluefield Daily Telegraph on August 28th of '07. We published the notice of

hearing and location exhibit.

Q. Did you file certificates of mailing and your proofs of publication with Mr. Wilson?

A. Yes, we did.

Q. Okay. And with regard to this unit, we have the same issue with...concerning Mr. Baldwin that we saw in the last unit, right?

A. That's correct.

Q. Do you want...so, then, do you want to dismiss anyone today?

A. Yes, sir, Mr. Baldwin.

Q. And you have an Exhibit B-2 that indicates David Carl Baldwin is to be dismissed for what reason?

A. It's leased.

Q. And has that changed then the percentage of the interest that you're seeking to pool?

A. Yes, it has.

Q. And have you filed a revised Exhibit A, page two?

A. We have.

Q. And what is it that you've acquired now, as of today, and what is it that you're seeking to pool as of today?

A. We've acquired 99.99907% of the---.

Q. You missed a 9.

A. Okay.

Q. Do it again, okay?

A. Okay. 99.999907% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 0.000093% of the coal, oil and gas owner's claim to coalbed methane.

Q. There's also a revised Exhibit B-3, is that correct?

A. That's correct.

Q. And is the only revision to delete Mr. Carl's name from the...I should say...probably identify him. Mr. David Carl Baldwin from the list of respondent?

A. Yes, it is.

Q. Okay. Do you want to make any other changes in terms of dismissal or additions today?

A. No.

Q. Okay. There's no escrow requirement in this unit, correct?

A. No, there is not.

Q. Is it your opinion that drilling a frac well in the window of this Oakwood 80 acre unit is a reasonable way to develop the coalbed methane under the unit?

A. Yes...yes, it is.

Q. And is it your further opinion that if...if we take a pooling order, in conjunction with your leasing and acquisition efforts, the correlative rights of all owners and claimants would be protected?

A. Yes, it would.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: Abstain.

MARK SWARTZ: Thank you.

BENNY WAMPLER: One abstention, Mrs. Dye. Next is

a petition from CNX Gas Company, LLC for pooling coalbed methane unit BC-125, docket number VGOB-07-0918-2014. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington. Mr. Chairman, I would ask that you incorporate the testimony of Les Arrington with regard to the applicant and operator, standard lease terms and his employment.

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

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

A. Yes.

Q. Okay. What kind of unit is this?

A. This is Middle Ridge. It has 58.74 acres.

Q. Okay. And how many wells are proposed?

A. One.

Q. And where is it located in relation to the

window?

A. Within the drilling window.

Q. Have you provided a well cost estimate?

A. Yes, we have. It's $240,316.54 to a depth of 2689. The permit number 8111.

Q. Okay. What did you do to advise the respondents and others who might be interested that there was going to be hearing today?

A. We mailed by certified mail, return receipt on August 17, 2007. We published in the Bluefield Daily Telegraph on August 28, 2007. We published the notice of hearing and location exhibit.

Q. Have you filed your certificates with regard to mailing and your proofs of publication with Mr. Wilson?

A. Yes, we have.

Q. Between the time you filed and the time of the hearing, have you been able to lease some additional folks?

A. Yes, we have. It's listed on Exhibit B-2. It was Pat Johnson, Michael Johnson and Harriet Archer.

Q. Okay. And they have an interest in a number of tracts and that's why Exhibit B-2 is for...it's several pages?

A. That's correct.

Q. Okay. And are you requesting that the Board allow...allow those folks to be dismissed today?

A. Yes...yes, we are.

Q. And have you revised Exhibit B-3 accordingly to remove their names from the people who are shown on Exhibit B-2 from the list in B-3 because you have agreements with them?

A. That's correct, we have.

Q. Has that changed the percentages that you've reported when you filed your application as acquired and needing to be pooled?

A. Yes, it does.

Q. And have you filed a revised Exhibit A, page two to reflect those changes?

A. Yes, we have.

Q. Would you tell the Board as of today what interests you've been able to acquire and what it is you're seeking to pool?

A. We've acquired 98.8655% of the coal owner's claim to coalbed methane and 91.7568% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 1.1345% of the coal owner's claim to coalbed methane and 8.2432% of the oil and gas owner's claim to coalbed methane.

Q. And you've filed an Exhibit E with your original application, correct?

A. Yes.

Q. And there's some conflicts here that would require escrow?

A. Yes.

Q. And those are in what tracts?

A. 1A, 1B, 1C and 1D.

Q. Okay. And there also are some folks who have entered into split agreements, is that correct?

A. Yes.

Q. And have you filed an Exhibit EE in that regard?

A. Yes, we have. That's Tracts 1A, 1B, 1C and 1D.

Q. Okay. With respect to the folks who have split agreements, are you asking that in the event that the Board should approve this application that the Board provide that you could pay directly the folks listed in Exhibit EE in accord with their written split agreements---?

A. Yes, we are.

Q. ---rather than being required to escrow their funds?

A. Yes.

Q. Okay. Is it your opinion that drilling one frac well in this Middle Ridge unit is a reasonable way to develop the coalbed methane?

A. Yes, it is.

Q. And is it your further opinion that if we combine your leasing and acquisition efforts...success efforts with a pooling order that all...the correlative rights of all of the owners and claimants in this unit would be protected?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

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

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

KATIE DYE: Abstain.

BENNY WAMPLER: You have approval. One abstention, Mrs. Dye. Next is a petition from CNX Gas Company, LLC for repooling of coalbed methane unit F-22, docket number VGOB-01-1016-0948-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

MARK SWARTZ: Mr. Chairman, I would like to ask that Mr. Arrington's prior testimony concerning the applicant and the operator, standard lease terms and his employment be incorporated.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, would you state your name for us?

A. Leslie K. Arrington.

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

A. Yes.

Q. This is a repooling?

A. Yes, it is.

Q. What did you do to advise the respondents and others that we would be having a hearing today?

A. We mailed by certified mail, return receipt on August the 17th of '07 and published in the Bluefield Daily Telegraph on August the 27th, 2007. We published the notice of hearing and location exhibit.

Q. And did you file your certificates with regard to mailing and proofs of publication with Mr. Wilson?

A. Yes.

Q. What kind of a unit is this?

A. This is an Oakwood 80 acre unit.

Q. How many wells are proposed?

A. Two.

Q. Where are they located in relation to the window?

A. They're both within the window.

Q. Okay. Have you provided well cost estimates to the Board with regard to these wells?

A. Yes. Let me look the application just a second. If you're referring to our exhibit that we passed out, our spreadsheet, F-22 shows $19,000 on it. It's

supposed to be $193,328.03. F-22A, this one is $503,372.93. The estimated depth for F-22 is 1982 and the estimated depth of 22A is 2410. The permit number for F-22 is 7193 and 22A is 7404.

SHARON PIGEON: Les, could you give me that corrected cost again?

LESLIE K. ARRINGTON: Yes. It was a $193,328.03.

SHARON PIGEON: Thank you.

Q. The number, the 193, is correct in the Exhibit C in the original application?

A. Yes, it is.

Q. It's just that the---?

A. Just the spreadsheet---.

Q. ---spreadsheet that was...we left out a 3?

A. We did.

Q. Okay. The...what...what...when you originally filed this application you set forth the percentages that you had acquired and that you had...and that you needed to pool, correct?

A. Yes.

Q. Has that changed since then?

A. Yes, it has.

Q. Okay. And is that because you've been able to lease some additional folks?

A. Yes.

Q. Okay.

A. Again, it's the---.

Q. David---.

A. ---David Carl---.

Q. David Carl Baldwin.

A. ---Baldwin.

Q. Okay. And so does Exhibit B reflect that you've leased him and that he could be dismissed?

A. Yes.

Q. Okay. Then, have you revised Exhibit B-3 accordingly to remove his name?

A. Yes, we have.

Q. And, then, have you revised your ownership information Exhibit A, page two accordingly?

A. We have.

Q. And what...what is it as of this point in time that you've acquired in this unit and that you're seeking to pool in this unit?

A. We've acquired 99.9578% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 0.0422% of the coal, oil and gas owner's claim to coalbed methane.

Q. Is this a situation where, when this unit

was originally pooled, you had drilled a well and now you're adding an infilled well? Is that...is that reason?

A. We've not only done that, but there was some remapping.

Q. Some remapping as well, okay. Is there escrow required here?

A. No.

Q. Okay. Is it your opinion that drilling two wells in the locations shown on the plat in this Oakwood 80 acre unit is a reasonable way to develop the coalbed methane?

A. Yes, it is.

Q. Or I should was, I guess. And is it your further opinion that if you combine a pooling order with your successful leasing and acquisition efforts, the correlative rights of all owners and claimants would be protected?

A. Yes, it is.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: And second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Mrs. Dye. Next is a petition from CNX Gas Company, LLC for repooling of coalbed methane unit F-23, docket number VGOB-01-1016-0949-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

MARK SWARTZ: I'd like to incorporate, if I could, Mr. Arrington's testimony regarding the applicant and operator, standard lease terms and his employment.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, could you state your name for us again.

A. Leslie K. Arrington.

Q. I will remind you that you're still under oath. Do you understand that?

A. Yes, I do.

Q. What kind of a unit is this?

A. This is an Oakwood 80.

Q. How many wells are proposed?

A. Two.

Q. Are they both in the window?

A. Yes.

Q. Is it a repooling?

A. Yes, it is.

Q. Okay. Have you provided the Board with a cost estimate for these wells?

A. Yes. For F-23, it's $207,798.74. F-23A is $298,448.46. F-23's depth is 2,047 feet and F-23A is 2410. The permit number of F-23 is 7318 and permit number F-23A is 7407.

Q. What did you do to advise the respondents and others that we would be having a hearing today?

A. We mailed by certified mail August 17, 2007. We published in the Bluefield Daily Telegraph on August 27, 2007. We published the notice of hearing and location exhibit.

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

A. Yes, we have.

Q. And we have a situation here again because you were able to lease Mr. David Carl Baldwin between filing and today's date. We've got to make some changes, right?

A. That's correct.

Q. So, you've got an Exhibit B-2 indicating that he can be dismissed?

A. Yes, we do.

Q. And you've modified revised Exhibit B-3 accordingly?

A. We have.

Q. Okay. And, then, what is it as of today, given the fact that you've leased him, that you've acquired and that you're seeking to pool?

A. We've acquired 99.7432% of the coal, oil

and gas owner's claim to coalbed methane. We're seeking to pool 0.2568% of the coal, oil and gas owner's claim to coalbed methane.

Q. There's no escrow requirement here?

A. No.

Q. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss anyone in addition to Mr. David Carl Baldwin?

A. No.

Q. Is it your opinion that drilling two frac wells in this Oakwood 80 acre unit is a reasonable way to develop the coalbed methane resource?

A. Yes, it is.

Q. Is it your further opinion that if you combine a pooling order with the interests you've acquired through leasing and otherwise that the correlative rights of all parties, owners and claimants will be protected?

A. Yes.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: Abstain.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mrs. Dye---.

BOB WILSON: Excuse me. Before these people get away, I have an item---.

MARK SWARTZ: I don't like the way---.

BOB WILSON: ---I'd like to---.

MARK SWARTZ: ---you said that.

(Laughs.)

BOB WILSON: ---escape as it were. I have an item here that I would like for the Board to consider---. Would you pass those around, please? ---and put them on the next month's docket on the Board's own motion. The map that I'm

handing out shows the junction between the Oakwood Field to the northeast and the Nora field to the southwest. What has precipitated this, CNX has submitted an application for permit for one of those very small units number AP-82. Actually, when you look at it, there is no legal location in there because they can't get 300 feet from any side boundary on that. But it turns out to be very narrow, skinny unit. The problem here is that the fields were constructed and then expanded and the boundaries and such, but the junction between the two fields was never defined. At the time these things were done, it wasn't probably particularly important. However, it's becoming important now. I don't feel comfortable issuing a permit for one of these units that...as in AP-82, which turns out to be a 17 acre unit. If that's a valid unit, then, those probably 5 acre units that go up the side would also be valid units. The reason I wanted to bring this up before these folks leave and while the other company representatives are here is to see if they have any comment on doing a final definition of that boundary in which I would propose that we define how to handle each of those units at the boundary insofar as whether they become larger units, smaller units, overlap units or what. We have done that in only one area on this map. On the south boundary there, the Board order actually

defined that boundary. But that's the only place where these two fields come together that is actually defined in an order.

I would propose that the Division of Gas and Oil notify all unit operators who operate in either of these fields that this would be considered and that based on our assessment in the Division and any comments that we can solicit from the operators that we bring in a proposal to the next Board hearing at least as a starting point for defining this boundary between the two units. I think it's essentially that we...that we define this boundary because a development is obviously moving in all directions and encompassing every available unit.

BENNY WAMPLER: Well, I would...I would ask that the unit operators to work with Bob to...between now and the next hearing. That should afford enough time, shouldn't it, to arrive at a consensus on a boundary and bring it before the Board?

MARK SWARTZ: I think it's just a matter of agreeing on some kind of makeup units on the intersection. I mean, I'm assuming that's what you've got in mind.

BOB WILSON: Yes. I think that's exactly the case. As has been done, when units...when boundaries were defined, those unit were defined to either be enlarged or be

made smaller or actually in places we have had them overlap where the units would pay double in certain sections because there was no way to really define it and protect everybody's interest. But that's basically all we have in mind on that.

BENNY WAMPLER: Very good. Put it on the next---.

MARK SWARTZ: Great.

BENNY WAMPLER: ---for the next Board hearing as the Board's own motion. Thank you. We're going to take five minutes while we switch over to Equitable.

(Break.)

BENNY WAMPLER: Okay. Next on the agenda is a petition from Equitable Production Company for repooling coalbed methane unit VC-502832, docket number VGOB-02-1217-1109-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser and Don Hall on behalf of Equitable Production. Before we get started several housekeeping matters. You'll see all of you were...during the break were given an invitation to the Virginia Oil and Gas Association fall meeting, which will be on the same day as the October docket, the same day as the hearings in October. I know several of you showed up last year and we'd like to see everybody show up this year, if you can. I did give Mr.

Wilson some extra invitation for the Board members that aren't here. It may even be a follow up type of thing that goes out to. We'd love to have everybody there. You know, one of the main reason we scheduled it on the 16th was to try to facilitate that happening. So, we'd...I'm the vice president and Jerry's a vice president. I think last year Mr. Wampler came and Ms. Quillen came. I'm not sure if anybody else did or not. A couple of Mr. Wilson's inspectors, I think, or at least one of them showed up. So, it will give a chance for everybody to, you know, to get know people outside the Board docket that are involved in the industry and ask any questions or anything they might have as to what the association is doing or what the goals are and what we're trying to accomplish going forward. Then, the other thing, if I might, we have a little bit of housekeeping since I've got fourteen through thirty-seven. Number twenty-nine, we would...we would ask that that one be continued until next month.

BENNY WAMPLER: Okay. That's docket number VGOB-07-0918-2026 continued until next month.

JIM KAISER: And, then, on behalf of Chesapeake... and, then, on behalf of Pine Mountain we'd ask that number thirty-six be continued for sixty days until November.

BENNY WAMPLER: It's hard to believe that.

JIM KAISER: Yeah, it's hard to believe, November.

BENNY WAMPLER: Docket number VGOB-07-0918-2034. I had to do a double thought on November.

JIM KAISER: I guess it actually wouldn't be sixty days because we've moved that one up. So, it would be fifty-three days, I guess.

BENNY WAMPLER: Right. We'll continue that to the November docket. The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

(Don Hall is duly sworn.)

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

Q. Before we get into your standard testimony, could you explain for the Board why we're repooling this unit?

A. This well was force pooled in December of 2002 and drilled in March of '03. We were recently working

on a unit adjacent to this (inaudible). We determined that on this second unit that we're working on that the orientation of the tracts on the first unit was not correct. So, we've...we're asking that this be repooled to reflect the changes, which making these changes as in turn changed the tract percentages in these units. The tracts are effected are Tracts 2, 3 and 4 in the unit and all three of those tracts are in escrow. They're escrowed tracts. So, the money has been...all of the royalties have been put into escrow at this point in time. So, this will just...plat will indicate the correct percentages that each of these units...for each of these tracts in the unit...contributed to the unit.

Q. Okay. So, we're trying to clean it up based upon the surveys that were done for the adjacent unit and as far as any problems with royalty that is all...all three of those tracts are subjected to conflicting claims and are all in escrow. So, there's no adjustment that needs to be made by the operator there?

A. That's correct.

Q. Okay. And your responsibilities, obviously, include the land involved here and in the surrounding area?

A. They do.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in the unit for well number VC-502832, which was dated August the 17th, 2007?

A. Yes.

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

A. We do.

Q. Prior to the filing of the application, were efforts made to contact each of the interest owners in an attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. What is the interest under lease to Equitable in the gas estate?

A. We have 91.493436% leased.

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

A. A 100%.

Q. Are all unleased parties set out at Exhibit B-3 to the application?

A. They are.

Q. So, the only thing that remains unleased is 8.506564% of the gas estate?

A. That's correct.

Q. Okay. We do have some unknown interest owners in this unit, is that correct?

A. Yes.

Q. In your professional opinion, were reasonable and diligent efforts made and sources checked to identify and locate these unknown interest owners?

A. Yes.

Q. Are the addresses set out in Exhibit B to this application the last known address for all respondents?

A. They are.

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

A. Yes.

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

A. Yes.

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

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

Q. In your opinion, do the terms that you just testified to represent the fair market value of and the fair

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

A. They do.

Q. Now, as to those respondents listed in Exhibit B-3, that being the unleased respondents, do you agree that they be allowed the following statutory options with respect to their ownership interest within the unit: 1) Participation; 2) a cash bonus of five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eights royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his or her interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to his or her share equal, A) 300% of the share of such costs applicable to the interest of the carried operator of a leased tract or portion thereof; or B) 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that all elections by

respondents be in writing and sent to the applicant at Equitable Production Company, Land Administration, P. O. Box 23536, Pittsburgh, Pennsylvania, 15222, Attention: Nicole Atkinson, Regulatory?

A. Yes.

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

A. It should.

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

A. Yes.

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

A. Yes.

Q. If an unleased party elects to participate, should they be given 45 days to pay the applicant for their proportionate share of actual well costs?

A. Yes.

Q. Should the applicant be allowed 120 days

following the recordation date of the Board order and thereafter annually on that date until production is achieved, to pay or tender cash bonus or delay rental becoming due under the force pooling order?

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs, then their election to participate should be withdrawn and void and they should be deemed to have leased?

A. Yes.

Q. Do you recommend that the order provide that where an election...a respondent elects to participate but defaults in regard to the payment of well costs, any proceeds or cash sum becoming payable to that respondent be paid within 60 days by the operator after the last date on which the respondent could have paid their well costs?

A. Yes.

Q. Okay. In this particular case, the Board does need to establish an escrow account and it would effect any proceeds attributable to Tracts 2, 3, 4 and 5 in the unit, is that correct?

A. Yes.

Q. And who should be named operator under any

force pooling order?

A. Equitable Production Company.

Q. And what is the total depth of the proposed well?

A. 2440 feet...2,440 feet.

Q. And the estimated reserves for the unit?

A. 500 million cubic feet.

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

A. Yes.

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

A. Yes.

Q. Could you state both the dry hole costs and completed well costs for this well?

A. The dry hole costs is $83,199 and the completed well costs is $211,780.

Q. Boy, you can tell this was drilled a few years ago, can't you?

A. Yeah.

Q. Huh?

A. Yeah.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

MR. KAISER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: I believe that we have a disbursement pending on this particular unit to some of the Heirs of the F. H. Kiser...some of the F. H. Kiser Heirs in Tract 4. Of course, all of that has been calculated. Is this going to affect that at all or I'm I in the wrong tract?

DON HALL: Is this...is this a hearing that has already occurred?

BOB WILSON: Yes.

DON HALL: It probably will affect it. It was

probably based on the old percentages.

BENNY WAMPLER: Mr. Hall, let me ask you a question while he's checking something there. Just when you look here, I just want to verify that this boundary line dealing with 2, 3 and 4, which you say are the only ones changed, did not change. This major boundary line, in other words, didn't affect 1 and 5?

DON HALL: right.

BENNY WAMPLER: There was no affect as far as acreage or anything in 1 and 5?

DON HALL: That's correct.

BENNY WAMPLER: Okay.

DON HALL: The only changes in the acreage and percentages was in Tracts 2---.

BENNY WAMPLER: Were within 2, 3 and 4?

DON HALL: 2, 3 and 4, right.

JIM KAISER: So, has that already been approved, Mr. Wilson, the disbursement?

BOB WILSON: Yes. This one, to the best of my knowledge, has been approved. The order has been drafted and signed and I think it's waiting on payment as we speak. It may have...I don't think it has already been paid, but it my have actually.

DON HALL: Who are they parties? Do you recall?

BOB WILSON: Yes. Sam...Samuel J. Breeding---.

JIM KAISER: No, they're--.

BOB WILSON: ---and the Heirs of Inis Counts, being, Cheryl Fields, Dennis Counts, Teresa and Russell Campbell.

DON HALL: That's in Tract 4?

BOB WILSON: It's the F. H. Kiser Heirs. That would be Tract 4 on the submission of this...for pooling.

DON HALL: That would also affect Tract 2, the F. H. Kiser.

JIM KAISER: Is the petition just for Tract 4 though?

BOB WILSON: I don't have that disbursement order in file because it is being processed right now. So, I can't say exactly what the disbursement was. Is...those people that I named, are they F. H. Kiser Heirs?

DON HALL: Give me the names again. I haven't found them.

BOB WILSON: Samuel J. Breeding and the Heirs of Inis Counts, being, Cheryl Fields, Dennis Counts and Teresa and Russell Campbell.

JIM KAISER: I found Samuel Breeding in here. I know of him. Inis Counts, yeah.

DON HALL: It may be Tract 3.

JIM KAISER: I don't see the other names.

DON HALL: I don't either. Did you say you saw Samuel Breeding?

JIM KAISER: Yeah. He's on page seventeen.

BOB WILSON: The original pooling order lists Inis Counts as an owner of oil and gas interests and---.

DON HALL: I think---.

JIM KAISER: No, he's in Tract 5. Breeding is on Tract 5.

DON HALL: That's in Tract...I think you're referring to Tract 5 here probably, if you look page seventeen on Exhibit B.

BENNY WAMPLER: Well, Inis Counts is in part 4.

JIM KAISER: Inis Counts is in Tract 4 on the top of page sixteen.

DON HALL: Oh, okay.

JIM KAISER: But I don't see Samuel Breeding on Tract 4 anywhere.

DON HALL: Samuel Breeding is in Tract 5.

BENNY WAMPLER: He's in 5. Samuel Breeding, Jr., J. Breeding, Jr. and Betty Sue Breeding. Is that the correct or does it say---?

BOB WILSON: I just have Samuel J. Breeding on the...this...the only thing I have, unfortunately, is the

application for disbursement.

BENNY WAMPLER: Yeah.

BOB WILSON: As I said, the order itself is not in the file because it's being processed right now.

JIM KAISER: And what tract is listed in the application, Bob, 4?

BOB WILSON: Which application?

JIM KAISER: The one that you just held up.

BOB WILSON: The...yeah, the...the letter that was submitted in support of this disbursement refers to the F. H...I'm sorry, the G. W. Kiser Heirs and the F. H. Kiser Heirs.

DON HALL: Well, that's Tract 4 and 5 or 2, 4 and 5 actually.

BOB WILSON: Yeah.

DON HALL: The 5, I think, is the G. W. Kiser Heirs.

JIM KAISER: Well, maybe we had better ought that disbursement---.

BENNY WAMPLER: If we can.

JIM KAISER: ---and let my office get with yours and we probably need to refile that.

BENNY WAMPLER: He may have already been---.

BOB WILSON: If it's not too late. Yeah, we'll

see if we can get that one held up assuming I don't have a check on my...a copy on my desk when I get back.

BENNY WAMPLER: I would ask to you move on cleaning that up so we don't hold them up again.

JIM KAISER: Quickly, sure.

DON HALL: Okay.

BOB WILSON: One other item on that as well, the...we put this on the docket as 02-1217-1109-01. The actual docket number for this pooling would be -02.

BENNY WAMPLER: Was that -01?

BOB WILSON: Yes. Our disbursement was -01.

JIM KAISER: The disbursement, yeah, would have been -01.

BENNY WAMPLER: Right. I'm going to take -01, since we called it, and---.

(A phone rings.)

BENNY WAMPLER: He ran before I jumped on him. Did you notice that?

(Laughs.)

BENNY WAMPLER: I think the Board needs to act on the -01 since we acted before and that's that disbursement. I guess what...what it seems prudent to do is to put that on hold if we can until we act on -02. If we approve this boundary adj...this adjustment of these three tracts, then,

we would ask the parties here to...the operator to quickly move to get disbursements cleaned up as well. Does that make sense? Is there motion to do that to put the -01 on hold, the disbursement order?

PEGGY BARBAR: Motion to put the order on hold.

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: Okay, that's on hold. Do you have anything further on this -02?

JIM KAISER: We'd ask that the application or the...as submitted, I guess, but now we're calling it -02, be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

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

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further any

discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Can I assume responsibility to go ahead with the disbursement as soon as we get these numbers cleared up or do we need to come back before the Board with that?

BENNY WAMPLER: I think we can do it. I would have them verify that disbursement...you know, get that information to you. Don't think, rather them come back because it's not changing---?

SHARON PIGEON: It's not going to change numbers?

BENNY WAMPLER: Within the tracts as far as...well, if it stayed in the Tracts, what, 2..2 and 3 or 3 and 4.

BOB WILSON: Yeah. 2 and 4, I believe it was.

DON HALL: Well, G. W. was 5. G. W. Kiser is 5.

BOB WILSON: And you said that wasn't affected.

DON HALL: Well, that's where Samuel Breeding is. He's in Tract 5. But it wouldn't...yeah, that wouldn't affect---.

JIM KAISER: 2, 3 and 4 were the tracts affected.

DON HALL: Right. Yeah, 2, 3 and 4.

BOB WILSON: Well, the entire order would have be revised to show the proper percentages. It's just that you're saying the ones in Tract 5 would not be affected, but the ones in Tract 4 that are including that disbursement would be affected.

BENNY WAMPLER: You probably need to come back because of that. I misunderstood.

JIM KAISER: I think we would have to refile...yeah.

BENNY WAMPLER: I thought it said none of them would be affected, but yeah we would need to bring it back. All right. Next is a petition from Equitable Production Company for repooling coalbed methane unit VC-537628, docket number VGOB-07-0220-1891-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable Production Company.

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

DON HALL: Explain---.

BENNY WAMPLER: Yeah, Mr. Hall, do you want to explain why we're repooling this one.

DON HALL: This well was force pooled in February. It's not drilled, but we force pooled it in February and---.

JIM KAISER: February of this year?

DON HALL: Yeah, February of 2007. Yes. And at the time we pooled it, we had been getting...there was some tracts that ACIN owned. We have a lease from them and there's some tracts that we discovered that weren't in the original lease. They have been tract by tract adding those to the lease as we found them. At the time we force pooled this in February, we were working with them on adding those tracts and we showed them as leased because we thought they were going to be added by the time we had the hearing. As it turned out, they had a change of heart and didn't add them. So, we're back now to include those in the force pooling of those tracts that were not initially added that we shown in our first force pooling application as leased when, in effect, they were unleased. We were under the assumption that they were going to be leased, if that makes sense.

JIM KAISER: So, basically, we thought we had an assertion from them that they would be added to the lease and we detrimentally relied on that in the first pooling and they have been noticed of this hearing today and apparently are not here to object, correct?

DON HALL: That's correct.

JIM KAISER: Okay.

BENNY WAMPLER: My only comment is you shouldn't list anything that's not leased regardless of what you're relying on---.

DON HALL: Yeah.

BENNY WAMPLER: ---and have them come to the hearing and make their case. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, again, do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. And we're seeking to pool any unleased interest in the unit for EPC well VC-537628 by the application dated August the 17th, 2007?

A. Yes.

Q. And Equitable owns drilling rights in the unit involved here?

A. We do.

Q. And prior to the filing of the application, efforts were made to contact each of the interest owners within the unit and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. What's the interest under lease to Equitable in the gas estate?

A. We have 80.83% leased.

Q. And interest under lease to Equitable in the coal estate?

A. We have 70.34% leased.

Q. And all unleased parties are set out in Exhibit B-3?

A. They are.

Q. So, 19.17% of the gas estate remains unleased?

A. That's correct.

Q. And 29.66% of the coal estate remains unleased?

A. That's correct.

Q. Okay. We do have one unknown interest

owner in Tract 2, is that correct? (Inaudible).

A. Yes, yes.

Q. Okay. And you made reasonable efforts to attempt to locate those Heirs?

A. Yes.

Q. Okay. In your personal opinion, was due diligence exercised to locate each of the respondents named in the Exhibits?

A. They were.

Q. Are the addresses set out in Exhibit B to the application, the last known addresses for the respondents?

A. Yes.

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

A. Yes.

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

A. Yes.

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

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

Q. In your opinion, do the terms you just testified to represent the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Mr. Chairman, at this time, I'd ask that the testimony regarding the statutory election options afforded any unleased parties that was previously taken in 1109-02 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Okay. Mr. Hall, we do have...the Board does need to establish an escrow account in this case---?

A. That's correct.

Q. ---for proceeds attributable to Tracts 2, 3 and 4?

A. Yes.

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

A. Equitable Production Company.

Q. And what's the proposed depth of this well?

A. 2349 feet.

Q. Estimated reserves of the unit?

A. 230 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. It has.

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

A. Yes.

Q. Could you state both the dry hole costs and completed well costs for this well?

A. The dry hole cost is $121,845 and the completed well cost is $329,907.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Mr. Wilson, do you have the AFE?

BOB WILSON: No, sir, I do not.

BENNY WAMPLER: The original because we didn't get them.

JIM KAISER: I don't have it either.

DON HALL: It's not in my packet either. It's in the original packet.

JIM KAISER: Can we provide you with copies of that?

BENNY WAMPLER: Yes.

BOB WILSON: Mr. Chairman, is this...is this the same AFE that you had presented in the original pooling---?

JIM KAISER: Yes.

BOB WILSON: ---or is this a different AFE?

JIM KAISER: It's the same as the one we used in February, isn't it?

DON HALL: It should be, yes. The same.

BOB WILSON: What were your totals again?

DON HALL: $121,845 for the dry holes costs and $329,907 for---.

BOB WILSON: We do have that in the original application for pooling that was submitted in February.

BENNY WAMPLER: So, there was no change in that?

BOB WILSON: No.

BENNY WAMPLER: Okay. We wouldn't have to have that in this packet except---.

SHARON PIGEON: We need a copy.

BENNY WAMPLER: If you can make a copy of it. Do

you have anything further?

(No audible response.)

JIM KAISER: We'd ask that the application be approved as submitted with the condition that we provide you with... provide, I guess, Mr. Wilson's office with some additional copies of the February AFE or not.

BENNY WAMPLER: Was there any other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BRUCE PRATHER: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. We are going to stop at around noon for lunch today. We have lunch being brought in. So, if anybody needs to make their plans around, be advised. Next is a petition from Equitable Production Company for repooling of coalbed methane unit VC-

537637, docket number VGOB-07-0320-1905-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser and Don Hall, again, on behalf of Equitable Production Company. This is a...the exact same situation as the hearing we just had. Again, it was a tract that we thought would be added to the lease and had an assertion that it would be added to the lease. It was not added to the lease. Again, you're going to find that you don't have the February...was this one pooled in February...March. You don't have the March AFE in your packet. We'll get a copy directly to Ms. Pigeon. I think as long as Mr. Wilson has it in his and there's no changes, he's fine with that.

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, again, do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. Now, does Equitable own drilling rights in

the unit involved here?

A. We do.

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

A. Yes.

Q. And what is the interest of Equitable under lease in the gas estate?

A. We have a couple of...we have some overlap situations in these...in this unit. We either have 93.76% or 93.11% depending on which overlap prevails.

Q. Okay.

A. Which party in the overlap prevails.

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

A. We have...because of the same overlap situation, we have 34.19% or 34.84% depending on which tract receives the overlap ultimately.

Q. And all unleased parties are set out at B-3 to the application?

A. They are.

Q. So, the percentage of the gas estate that remains unleased is either 6.24 or 6.89?

A. That's correct.

Q. And the percentage of the coal estate that remains unleased is either 65.81 or 65.16?

A. That's correct.

Q. In this particular unit, we have identified all of the owners of both of the oil and gas and coal estates, so there are no unknowns?

A. Yes, that's correct.

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

A. They are.

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

A. Yes.

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

A. Yes.

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

A. We pay a one-eighth royalty...a five year bonus and five year term with a one-eighth royalty.

Q. In your opinion, do the terms you just

testified to represent the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Mr. Chairman, we'd again ask that the election option testimony previously taken be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. And, Mr. Hall, the Board does need to establish an escrow account for this unit that would include proceeds attributable to Tracts 1, 3, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15?

A. That's correct.

Q. Okay. Who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. And what's the proposed depth of this well?

A. 2663 feet.

Q. The estimated reserves over the life of the unit?

A. 230 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board in conjunction with the hearing in March?

A. Yes.

Q. And in your opinion, does it still represent a reasonable estimate of the well costs?

A. It does.

Q. And what were those...what are those dry hole costs and completed well costs for this well?

A. The dry hole cost is $133,277 and the completed well cost is $345,146.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does that AFE include a reasonable charge for supervision?

A. Yes.

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

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Because we obviously can not pool an either/or, could we maybe have them state the numbers that we're actually going to pool, the amount of interest that we're going to show in the order as being pooled?

DON HALL: It would be the greater number.

JIM KAISER: Let's go back and do that. So, you want to pool this number.

BENNY WAMPLER: You would go with the greater... higher number, obviously.

JIM KAISER: Right.

DON HALL: Yeah.

JIM KAISER: Okay. Mr. Hall, would it be correct then that we are asking to pool 6.89% of the gas estate?

DON HALL: Yes.

JIM KAISER: And we're asking to pool 65.81% of the coal estate?

DON HALL: Yes.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted and, again, I'll get an AFE out to Ms. Pigeon.

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

PEGGY BARBAR: Second.

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

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537623, docket number VGOB-07-0918-2015. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Jim Kaiser and Don Hall for Equitable Production Company. Again, this is...now, this is one that we haven't already pooled, but it's another ACIN pooling and it's another overlap situation, correct, Mr. Hall?

DON HALL: That's correct.

JIM KAISER: Okay.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. They do.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in the unit for VC-537623?

A. Yes.

Q. Does Equitable own drilling rights in this unit?

A. We do.

Q. Prior to the filing of the application, were efforts made to contact each of the interest owners and an attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. Okay. So, in this particular case, what is the interest under lease to Equitable in the gas estate?

A. We have 95.32% or 95.92% depending on the overlap situation.

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

A. We have either 84.84% or 85.44%.

Q. And all unleased parties are set out at B-3?

A. They are.

Q. And in this particular unit, we are asking the Board to force pool 4.68% of the gas estate, correct?

A. Yes.

Q. And we're asking the Board to force pool 15.16% of the coal estate, correct?

A. That's correct.

Q. Okay. Again, we've identified all the owners of both the oil and gas and the coal?

A. Yes.

Q. There are no unknowns?

A. No.

Q. That's correct?

A. That's correct.

Q. And the addresses set out in Exhibit B are the last known addresses for the respondents?

A. Yes.

Q. And you're requesting the Board to force pool all unleased interest as listed at B-3 to the application?

A. Yes.

Q. Again, are you familiar with the fair market value of drilling rights in this unit?

A. Yes.

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

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

Q. In your opinion, does that represent fair and reasonable compensation to be paid for drilling rights within this unit?

A. It does.

JIM KAISER: Mr. Chairman, we'd, again, ask that the election option testimony taken earlier be incorporated for purposes of this hearing.

BENNY WAMPLER: It will be incorporated.

Q. Okay, Mr. Hall, in this particular case, the Board does need to establish an escrow account for this unit and to take any proceeds attributable to Tracts 1, 2, 6, 8, 9 and 10, is that correct?

A. That's correct.

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

A. Equitable Production Company.

Q. The proposed depth of this well?

A. It's 2642 feet.

Q. Estimated reserves over the life of the unit?

A. 230 million cubic feet.

Q. And has an AFE been reviewed, signed and submitted to the Board with this application?

A. Yes, it has.

Q. Okay. In your opinion, does it represent a reasonable estimate of the well costs?

A. It does.

Q. Would you state for the Board both the dry hole costs and completed well costs for this well?

A. The dry hole cost is $136,762 and the completed well cost is $305,798.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

BENNY WAMPLER: Nothing further of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that this application bee approved as submitted.

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

BENNY WAMPLER: Is there a second?

KATIE DYE: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for creation and pooling of conventional gas unit V-503806, docket number VGOB-07-0918-2016. We'd ask the parties that wish to

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

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall. We'd got a revised plat.

(Mr. Hall passes out a revised plat.)

JIM KAISER: Mr. Hall, if you would explain the revised plat before we start our testimony.

DON HALL: Really, the only change there was in Tract 2. We has come information in the heading there, the lease numbers and so forth that was inaccurate. We had ACIN owning...an ACIN lease and tract number in there which wasn't correct. We've just deleted that to clean up the plat to make it look...to indicate the correct information on it. That was all.

BENNY WAMPLER: I was trying to find that. I can seen you changed it, but I didn't see it labeled as ACIN.

DON HALL: Well, it's WI...the WI numbers, ACIN number. I'm sorry. Those are ACIN lease numbers. They're showing it on the original plat as lease number 904576/WI-36 (inaudible) Estate. All that information has been taken off. That was incorrect.

BENNY WAMPLER: Right.

JIM KAISER: So, it's the Tract 2 information that's affected?

DON HALL: Right. Yes.

JIM KAISER: Okay.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Now, Mr. Hall, are you familiar with the application that we filed seeking to establish a unit and pool any unleased interest owners within that unit for well V-503806, which was dated August the 17th?

A. Yes.

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

A. We do.

Q. Prior to the filing of the application, were efforts made to contact each respondent and an attempt made to work out a voluntary lease agreement with the same?

A. Yes.

Q. What's the interest of Equitable under lease in the gas estate?

A. We have either 99.0086% leased or 57.8486% leased. If I may, I would like to explain the difference there. In Tract 2, we have leased Thomas Dotson. We had him under lease. The unknown Heirs of Tim Stallard, there's

a title question as to whether Dotson actually owned or the Stallard Heirs owned it. Dotson is in...my understanding is in the process of filing a declaratory judgment to try to get his title cleared. But in the interim because of the discrepancy in the...the situation---.

Q. The conflicting claim.

A. The potential conflicting claim, we've... we've included both parties as being potential owners that which may later become...be taken care of with a declaratory judgment by Mr. Flannery or by Mr. Dotson. Then we had in Tract 1 there's a one-fiftieth oil and gas interest out. But the difference in the two percentages is whether we have Tract 2 leased or not.

Q. Okay. So, the percentage that remains unleased...well, the percentage that we're seeking to force pool then is 42.1514?

A. Yes.

Q. Okay. And if we should obtain documentation that Mr. Dotson has been legally declared the owner of the coal, oil and gas...or at least in this case the oil and gas, since it's a conventional well, in that tract. Then, we can dismiss out the conflicting claim in the supplemental order or even it's after that in an amended supplemental order, correct?

A. That's correct.

Q. Okay.

BENNY WAMPLER: Let me just revisit, what did you say about Tract 1, fiftieth...what did you---?

DON HALL: There's a one-fiftieth oil and gas interest out in it...unleased in it as well.

Q. Owned by the Ellis Kent Hopkins?

A. Right.

Q. You did make reasonable and diligent efforts to attempt to locate and identify these Tim Stallard Heirs?

A. Yes.

Q. Okay. Are you requesting the Board to force pool...well, we've already gone through that. We're going to force pool 42.1514% of the gas estate, right?

A. Yes.

Q. Okay. Are you familiar with the fair market value of drilling rights in this unit?

A. Yes.

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

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

Q. In your opinion, do the terms you just

testified to represent the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Again, Mr. Chairman, we'd ask that the election option testimony taken previously be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

JIM KAISER: Thank you.

Q. Mr. Hall, we...let's see, in this situation we need to establish an escrow account, at least currently, for Tract 2, is that correct?

A. That's correct.

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

A. Equitable Production Company.

Q. And the total depth of this proposed well?

A. 5706 feet.

Q. The estimated reserves over the life of the unit?

A. 200 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. It has.

Q. In your opinion, does it represent a

reasonable estimate of well costs for this well?

A. Yes.

Q. And could you point out or state both the completed...dry hole costs and completed well costs for this well?

A. The dry hole cost is $271,022 and the completed well cost is $573,674.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion for approval.

BENNY WAMPLER: Is there a second?

KATIE DYE: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes, but Bruce Prather.)

BENNY WAMPLER: Opposed---.

BRUCE PRATHER: Abstain.

BENNY WAMPLER: ---say no.

(No audible response.)

BENNY WAMPLER: One abstention, Mr. Prather. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536824, docket number VGOB-07-0918-2017. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Don Hall and Jim Kaiser on behalf of Equitable.

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with the application that we filed seeking to pool any unleased interest in the unit for VC-536824, which was dated August the 17th?

A. Yes.

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

A. We do.

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

A. Yes.

Q. Okay. We've got another overlap, don't we?

A. That's correct.

Q. This is overlap month.

A. Yeah.

Q. So, what is the interest under lease to Equitable in the gas estate in the unit?

A. We have either 44.38% or 42.71% depending

on the overlap situation.

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

A. We have 100% of the coal estate leased.

Q. All unleased parties are set out in B-3?

A. Yes.

Q. Okay. So, what we're seeking to pool in here today is 57.29% of the gas estate, correct?

A. That's correct.

Q. Okay. Do we have any unknowns in this unit? Yes, we do, in Tract 7 at least, and Tract 14. Did you attempt to locate all of these unknown interest owners within this unit by making all reasonable and diligent efforts including checking both primary and secondary sources?

A. Yes.

Q. Okay. In your professional opinion, was due diligence exercised to locate each of the parties named as having an interest in the unit?

A. Yes.

Q. Are the addresses set out in Exhibit B, the last known addresses for the respondents?

A. They are.

Q. Are you requesting this Board to force pool

all unleased interest listed at Exhibit B-3---?

A. Yes.

Q. ---which is that 57.86%?

A. 57.29%

Q. 57.29%, correct?

A. Yes.

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

A. Yes.

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

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

JIM KAISER: Again, Mr. Chairman, we'd ask that the testimony taken previously be on the...election options afforded any unleased parties be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Okay. Mr. Hall, the Board does need to establish an escrow account here, right?

A. Yes.

Q. And, I believe, it would cover proceeds attributable to every tract with the exception of Tract 15?

A. That's correct.

Q. So, it would be 1 through 22 with the exception of 15?

A. That's correct.

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

A. Equitable Production Company.

Q. And what's the proposed depth of this well?

A. It's 2860 feet.

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

A. 330 million cubic feet.

Q. And has an AFE been reviewed, signed and submitted to the Board?

A. It has.

Q. In your opinion, does it represent a reasonable estimate of well costs?

A. Yes.

Q. Could you state both the dry hole costs and completed well costs for this well?

A. The dry hole cost is $189,581 and the completed well cost is $392,171.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further questions?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM KAISER: Mr. Chairman, if I might stop you for just one second here. It might be another good housekeeping moment. I believe the next one, two, three or four petitions that we have are all location exceptions. Then, we go to an application for increased density drilling. We have one other location exception that got slipped in on number thirty-seven. I was wondering if we could maybe move that up to after these other four and that would take care of Mr. Hall unless that's just too complicated. It doesn't matter to me.

BENNY WAMPLER: We can handle it.

JIM KAISER: So, I guess after twenty-three we'll go to thirty-seven.

BENNY WAMPLER: Thirty-seven. I gotcha. All right, next is a petition from Equitable Production Company for a well location exception for proposed conventional well V-504910, docket number VGOB-07-0918-2018. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Don Hall for Equitable Production. We have an exhibit that he will pass out.

(Don Hall passes out an exhibit.)

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities with Equitable include the land involved here and in the surrounding area?

A. They do.

Q. Are you familiar with the application that we filed seeking a location exception for well V-504910?

A. Yes.

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

A. They have.

Q. Could you indicate for the Board the ownership of the oil and gas underlying this unit?

A. Equitable has 100% leased or force pooled.

Q. And let's see, how many reciprocal wells do we have?

A. One.

Q. Just the one?

A. Yes.

Q. Does Equitable have the right to operate that reciprocal well?

A. We do.

Q. Are there any correlative rights issues?

A. No.

Q. Could you explain for the Board why we're seeking this location exception, in conjunction with your exhibit that you've prepared here?

A. Okay. As you see 504910, there's another well just beside it, that P-392C is a coalbed well. What we've done here is put a conventional well on the same... using the same access, the same pad and so forth. We've put this 4910 pretty much as a twin well to the coal well and, in effect, it eliminates an additional disturbance. It minimizes us disturbing any further area. If we came back to the south to that area outside that radius, that 2500 foot radius given us a legal location, we would be back in flatter properties and we're trying to stay out of that area. In addition to those considerations, we'll just try to stay in a block of coal on deep mine 27. This location was pretty much chosen by the coal company as well. Since they were drilled...since both of these wells will be drilled in the same...within a short distance of each other, that will...they will both be going through the same block of coal. Of course, 392 is already drilled. But we're using the same block of coal to get through.

Q. Okay. So, it's not correlative rights or royalty owner issues and what we're trying to do is to accommodate both the surface and the coal owner?

A. That's correct,

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

A. 500 million cubic feet.

Q. And what's the total depth of this proposed well?

A. It's 5539 feet.

Q. Are we requesting that this location exception cover conventional gas reserves to include the formations as designated in the application from the surface to total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this application be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for V-504910?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the

Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: This will be Exhibit A.

JIM KAISER: Exhibit A.

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

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

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for a well location exception for proposed conventional well V-504600. This is docket number VGOB-07-0918-2019. We'd ask the parties that wish to address the Board in this matter to

come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable Production Company. By way of introduction, these next three docket items are all going to be U. S. Forest Service locations. There was a representative here a little while ago, wouldn't there?

DON HALL: Yeah. He was here, but he had another thing come up.

BENNY WAMPLER: You may proceed. I just have one comment. Mr. Hall, when we're doing these plats and doing the Exhibit Bs, it's good to have the tract numbers associated back and forth. We've had that comment before. Sometimes it's---.

DON HALL: Yeah. So, this doesn't have an exhibit. This is an---.

BENNY WAMPLER: I'm talking about Exhibit B.

DON HALL: Oh, okay.

JIM KAISER: Oh, we noticed...we show that we noticed.

DON HALL: Oh, okay.

JIM KAISER: To tie tract numbers, just like---.

BENNY WAMPLER: Right.

JIM KAISER: ---we do on the poolings.

BENNY WAMPLER: Right. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. They do.

Q. And you're familiar with the application that we filed seeking a location exception for V-504600?

A. Yes.

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

A. Yes.

Q. Could you indicate for the Board the ownership...the Board Regulations, would you indicate for the Board the ownership of the oil and gas underlying this unit?

A. We have a 100% leased.

Q. And does Equitable have the right to operate any reciprocal wells?

A. We do.

Q. So, there are no correlative rights issues?

A. No.

Q. Okay. And we don't have an exhibit for these next three because they're all locations that have been approved by the Forest Service in conjunction with the EIS?

A. That's correct. They chose the spots through the EIS.

Q. Okay. Actually, right on this particular one, there's just one well we're accepting from?

A. That's correct.

Q. It's about 312 foot exception?

A. Yes.

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

A. 300 million cubic feet.

Q. And what's the total depth of this proposed well?

A. It's 4838 feet.

Q. Are we requesting the location exception to cover conventional gas reserves including all formations designated in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this

location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for V-504600?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Now, your 504601 is a proposed well, right?

DON HALL: It's permitted...the permit application has been filed. I think it may have been issued. I'm not sure. You've got a location exception that has to be granted from either an existing or a permitted well. At the time this plat was prepared, I guess it probably was considered a proposed well with the application that has been in for...if I'm not mistaken, I believe that permit has been issued. Do you know, Bob?

BOB WILSON: I couldn't tell you.

BENNY WAMPLER: I guess where I was going is 504601 as we refer to it a legal location. In other words, it doesn't need an exception except the exception that we're approving 4600.

DON HALL: At the time we applied it, we didn't know a location because 4600 wouldn't applied for.

BENNY WAMPLER: I understand.

DON HALL: And---.

BENNY WAMPLER: But you don't have one somewhere not shown here that it's---.

DON HALL: Oh, no.

BENNY WAMPLER: Okay.

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Don, is this the acreage that's northwest of Pound?

BENNY WAMPLER: No, this is in the Coeburn Field.

BRUCE PRATHER: Oh, okay. Okay.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

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

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

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BENNY WAMPLER: Is there a second?

KATIE DYE: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

BRUCE PRATHER: Abstain.

BENNY WAMPLER: One abstention, Mr. Prather. You have approval. Next is a petition from Equitable Production Company for a well location exception for proposed conventional well V-502214, docket number VGOB-07-0918-2020. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall.

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. They do.

Q. And you're familiar with the application that we filed seeking a location exception for V-502214?

A. Yes.

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

A. They have.

Q. Could you indicate for the Board the ownership of the oil and gas underlying this unit?

A. We have a 100% leased.

Q. Equitable has the right to operate all the reciprocal wells?

A. We do.

Q. Are there any correlative rights issues?

A. No.

Q. Explain to the Board why we're seeking this location exception.

A. Again, this is on the Forest Service and this location was chosen by their representatives through the environmental impact study.

Q. It looks like we're excepting from two drilled wells and one proposed?

A. Yes. The 6757 well will be the next one on the docket here. We're getting a location exception from it as well. The 2267 well is an existing well that has never been produced and is in...the plan is to plug that well

soon, but we showed it on here as...it will be shown on the 6757 application as well.

Q. In the event this location exception were not granted, could you project the estimate loss of reserves resulting in waste?

A. 250 million cubic feet.

Q. And the total depth of this proposed well?

A. It's 4850 feet.

Q. And you're requesting the location exception to cover conventional gas reserves to include all designated formations as listed in the application from surface to total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the reserves underlying the unit for V-502214?

A. Yes.

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

BENNY WAMPLER: Tell me again which well you're getting an exception from. Is it 536757?

DON HALL: Actually, we're getting an exception from both.

JIM KAISER: Well, this one too.

DON HALL: 2267 and 6757, which will be the next one of the docket. We'll be getting an exception for it from 2267 and we also have 2365, which is an existing well that we're getting an exception from which is 2400 feet due west of 2214.

BENNY WAMPLER: And what...did you tell us the distance? Did I just miss it from 502267?

DON HALL: It's 2315 feet.

JIM KAISER: So, it will be an exception of 185 feet.

DON HALL: It's on the line there coming from the...the distance on this line right here, 2315.

JIM KAISER: If you go clockwise 185, 102 and 100.

BENNY WAMPLER: I got it. Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BENNY WAMPLER: Is there a second?

KATIE DYE: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes, but Bruce Prather.)

BENNY WAMPLER: Opposed, say no.

BRUCE PRATHER: Abstain.

BENNY WAMPLER: One abstention, Mr. Prather. Next is a petition from Equitable Production Company for a well location exception for proposed conventional well V-536757, docket number VGOB-07-0918-2021. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall for Equitable Production Company.

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

JIM KAISER: This is another U.S. Forest Service well.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities include the land involved here and in the surrounding area?

A. It does.

Q. Are you familiar with the application that we filed seeking a location exception?

A. Yes.

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

A. Yes.

Q. Indicate for the Board the ownership of the oil and gas underlying this unit?

A. We have a 100% leased.

Q. And does Equitable have the right to operate any reciprocal wells?

A. We do.

BENNY WAMPLER: All reciprocal wells?

DON HALL: Pardon?

BENNY WAMPLER: All?

DON HALL: All. Yes.

Q. We're just seeking...actually, we're just seeking an exception from one proposed well, is that correct?

A. No.

Q. No. You got that one right over there.

A. Yeah, it will be two wells.

Q. Two wells?

A. Right.

Q. Okay. Are there any correlative rights issues?

A. No.

Q. Okay. Explain for the Board why we're seeking this exception particularly the exception to V-702267.

A. Okay. Again, as I stated in the last hearing, the one well 2214 is 2398 feet from 6757. That's the one that we just did. But to the east 6757 is 2267 and that's a well that has been drilled for probably fifteen years and it has never produced and it won't be produced. Our plan is to plug that well. But, currently, it's a permitted well. So, we have to show it as a reciprocal well.

BENNY WAMPLER: Right.

Q. In the event this location exception were not granted, could you project the estimated loss of reserves resulting in waste?

A. 300 million cubic feet.

Q. And the proposed depth of this well?

A. 4990 feet.

Q. Are we asking that the location exception cover all conventional gas reserves including all designated formations as listed in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing, protecting correlative rights and maximizing the recovery of the gas reserves underlying this unit?

A. Yes.

JIM KAISER: Nothing further of this witness on this matter right now, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: When do you anticipate plugging that well?

DON HALL: Probably after we drill the others.

BOB WILSON: How long after?

DON HALL: I...I couldn't answer that question. It would be up to them...the operations group.

BOB WILSON: So, we basically have to treat this

as a producing well?

DON HALL: That's the reason we had it on the location exception.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Is there a motion?

KATIE DYE: Motion to approve.

BENNY WAMPLER: Is there a second?

PEGGY DYE: I'll second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

BRUCE PRATHER: Abstain.

BENNY WAMPLER: You have one abstention, Mr. Prather. You have approval. Now, we're going to thirty-seven on the Board's agenda today. A petition from Equitable Production Company for a well location exception for proposed conventional well V-501818. This is docket number VGOB-07-0918-2035. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Don Hall on for Equitable.

BENNY WAMPLER: The record will show no others.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, again, do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. Are you familiar with the application that we filed seeking a location exception?

A. Yes.

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

A. They have.

Q. Would you indicate for the Board the ownership of the oil and gas underlying this unit?

A. We have a 100%.

Q. Does Equitable have the right to operate... it looks like we're just seeking an exception from one well?

A. That's correct. An exception from 5250.

Q. Right. They have the right to operate that

well and the surrounding wells?

A. Yes.

Q. Are there any correlative rights issues?

A. No.

Q. Can you explain for the Board, in conjunction with the exhibit that you've prepared, why we're seeking this location exception?

A. Well, even though it's 2,206 feet from 5250 with the other surrounding wells the 5504 and 552105 there is no legal location to put this well in that area. We can't get 2500 feet from all of those locations. So, we chose this area to...that's...even though it shows a few houses, it's even more populated than what it is which shows that particular area. We're trying to stay out of the congested areas and try to minimize our impact on the area. But actually there's no legal location in that particular area.

Q. So, it's a combination of trying to accommodate the surface owners and residence of that area along with trying to prevent reserves...trying to prevent waste basically because of the location of the existing wells?

A. That's correct.

Q. In the event this location exception were

not granted, could you project the estimated loss of reserves resulting in waste?

A. 250 million cubic feet.

Q. Okay. And the total depth of this proposed well?

A. 4833 feet.

Q. Are you requesting the location exception cover conventional gas reserves to include the formations designated in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this application be in the best of interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying V-501818?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Don, is (inaudible)?

DON HALL: Yes. It's in the Crab Orchard area.

BRUCE PRATHER: Yeah.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

KATIE DYE: Motion to approve.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes, but Bruce Prather.)

BENNY WAMPLER: Opposed, say no.

BRUCE PRATHER: Abstain.

BENNY WAMPLER: One abstention, Mr. Prather.

JIM KAISER: Do you want to work our way back up to twenty-four?

BENNY WAMPLER: Right. Next is a petition from Equitable Production Company for modification of Nora

Coalbed Gas Field Rules to allow for drilling of an additional well in units BL-18 to BL-20 and BM-18 to BM-20, docket number VGOB-89-0126-0009-16. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Now, Mr. Chairman, in this particular case, it will be Jim Kaiser and Mike Kovarik and Ms. Rite Barrett.

BENNY WAMPLER: In the last case that we just heard, item thirty-seven, that will be Exhibit A...A-1. Yeah, we had an A. All right.

JIM KAISER: I'd ask that the two witnesses be sworn.

(Mike Kovarik and Rita Barrett are duly sworn.)

JIM KAISER: Now, before we get started here, Mr. Chairman, there’s one change...one revision to the application. If you’ll look at page one, the estimated ultimate recovery in each Nora unit identified above. I guess we have one, two, three...what about six units?

MIKE KOVARIK: Six.

JIM KAISER: It should...instead of 525 it should be changed to 475. We’ll start with Ms. Barrett.

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are all of these six units 100% under lease to Equitable Production Company?

A. Yes, they are.

JIM KAISER: That's really all I have for her.

RITA BARRETT: I'm sorry?

JIM KAISER: That's really all I have for her. Then---.

BENNY WAMPLER: Do you want to just have her state her name and her position?

JIM KAISER: I'm sorry.

Q. If you'd state your name for the record, please.

A. I'm Rita Barrett. I'm a landman three with Equitable.

Q. Okay. Again, are all six of these units a 100% leased to Equitable?

A. Yes, they are.

Q. Okay. They haven't been pooled or anything?

A. No.

JIM KAISER: Okay. That's all I have for Ms. Barrett.

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

MIKE KOVARIK

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Kovarik, could you go through the testimony that you've done on numerous other occasions for the Board in the increased density situation and layout for them why we're seeking to drill one additional well...one additional well in each unit in these six units?

BENNY WAMPLER: Tell us who you are and what your position is---.

JIM KAISER: I'm sorry.

MIKE KOVARIK: Pardon me?

Q. Again, if you could state your name for the record, who you're employed by and in what capacity? I'm trying to beat lunch.

SHARON PIGEON: Well, we appreciate that, but you're making us go back.

A. I'll try to be as quick as I can. My name is Mike Kovarik. I'm the director of Development Engineering for Equitable Production Company. Yes, as Mr. Kaiser said, we'd like to drill one additional well in each of these six units that's noted in the shaded area on the map on the first exhibit and those are the Sally Branch B. We would like to drill these wells in order to accelerate production that would have been produced from the original well and to produce incremental gas from the second well.

Q. Your lessor is online with this? I mean, they have been notified and they understand what you're doing and they're in support of it, obviously, correct?

A. Yes, correct.

Q. Okay.

A. The other exhibits I have here are similar, if not just an update, to what we brought forth last month. The first...actually, the second exhibit is a production plot of the Middle Fork CBM infill project. The green line are the original wells that were drilled in the units and the red line represents the incremental production produced by the infill wells. To date, we're about 1.4 million a day above the original wells with the infill wells. So, we're

very satisfied with that.

BENNY WAMPLER: That's Exhibit A, page one. Is that what we're doing?

JIM KAISER: Yes.

A. Then this will be page---.

JIM KAISER: A-2. Do you want to go that way---?

A. I always get confused with this.

JIM KAISER: ---or do you want to go B? I guess we've kind of gone down to A (inaudible).

BENNY WAMPLER: Whichever way you want to do it.

JIM KAISER: Let's call it Exhibit B.

A. Okay. Exhibit B then would be a production plot of the Lick Creek 11 well, second unit well project that we did earlier this year. We started drilling these wells in April of this year. The green line, again, represents the production from the original wells. The red line represents the incremental production from the second wells that were drilled in the unit. Again, this is just an update from what we showed last month. But we're ahead...the incremental production from the infill wells is about 800 million cubic feet a day...excuse me, .8 million cubic feet a day. So, we're pretty pleased with that project also.

Exhibit C then would be an EUR calculation for the

Sally Branch wells that we want to drill in the six units. We took an average EUR from the nearby wells since there aren't wells with a lot of production history drilled on the six units that we have today. The percentage of treatable coal from those nearby wells to the wells that we have drilled in the Sally Branch area is about 85%. So, from 339, 85% of that is 288. Then, 65% of that we say is going to be attributed to the second well, so that's a 187 million cubic feet for the second well. That added with the 288 from the first well gives a 475 EUR for the entire unit for the wells.

BENNY WAMPLER: Questions from members of the Board?

BRUCE PRATHER: I have one question.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Do you...does Equitable own all or most of all of these other units that are around this?

MIKE KOVARIK: Well, actually, Mr. Prather, the units to the east, the BL-21, 22, 23 and actually BK-21 through 23, BM-21 through 23 and to the south BN-19 and 20 were approved last...last month.

BRUCE PRATHER: Oh, okay.

MIKE KOVARIK: So, the answer is yes.

BRUCE PRATHER: There's no possibility with

interference between this new drilling and the adjacent wells?

MIKE KOVARIK: There's no possibility of---.

JIM KAISER: Both wells have to be drilled inside the interior windows.

MIKE KOVARIK: Yes...yeah.

BRUCE PRATHER: Okay.

MIKE KOVARIK: So, okay.

BRUCE PRATHER: Okay.

BENNY WAMPLER: I guess you were looking for interference with other leaseholders?

BRUCE PRATHER: Uh-huh.

(Jim Kaiser confers with Mike Kovarik.)

BENNY WAMPLER: I'm sorry?

JIM KAISER: Ms. Barrett, can address this? Is that all one big lease, Mr. Barrett?

RITA BARRETT: Yes. It's Diamond Development Company.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

(No audible response.)

BENNY WAMPLER: We'd ask that the application be approved as submitted with the change to paragraph eight

from the estimated ultimate recovery being 475 instead 525.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Are we to assume then that the order for this increased density drilling would mirror the others that we've had in the past, which would restrict the second well to be within the...or inside the interior window with the usual provisions of them having to come back before the Board if it's otherwise? Basically, just to mirror the order that we've been doing in the past for the increased density drilling?

MIKE KOVARIK: Nothing has changed since that. So, yes.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

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

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussions?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Do you all want to stop for lunch until 1:00 o'clock?

JIM KAISER: Is it out there?

BENNY WAMPLER: Oh, it doesn't matter. We'll still stop. We'll take a break.

JIM KAISER: What we might, with the Board's permission again and with Mr. Scott's agreement and Pine Mountain's agreement, what we might want to do because we do have two applications for the Board, that will be number thirty-four and number thirty-five for the establishment of some provision units for horizontal and conventional wells that are a little different than what we have been doing. So, we might, if everybody agrees put them at the very last on the docket and let Mr. Scott do his location exceptions prior to that because it will take a little bit more time, obviously.

TIM SCOTT: I object obviously. I'm good with that. That's fine.

JIM KAISER: If that's okay with you all.

BENNY WAMPLER: Thirty-four and thirty-five?

JIM KAISER: Right. We continued thirty-six until

November.

BENNY WAMPLER: All right.

JIM KAISER: That may give us a little better continuity and help with both the presentation and the understanding of the same. Does that make sense?

BENNY WAMPLER: All right. We'll do it.

JIM KAISER: How long do we have for lunch?

BENNY WAMPLER: One hour.

(Break.)

BENNY WAMPLER: We're starting at thirty-four, right?

TIM SCOTT: Yes, sir. Actually, we are starting at thirty-eight.

BENNY WAMPLER: Thirty-eight?

TIM SCOTT: Uh-huh.

BENNY WAMPLER: Okay.

JERRY GRANTHAM: Is that 530010?

TIM SCOTT: Yes, sir.

BENNY WAMPLER: What about thirty-five? That's Pine Mountain.

TIM SCOTT: Mr. Kaiser is handling that one.

BENNY WAMPLER: Oh, he is. Okay. This is a petition from Pine Mountain Oil and Gas Company for a well location exception for proposed conventional well V-530010,

docket number VGOB-07-0918-2036. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Pine Mountain Oil and Gas.

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

TIM SCOTT: Both of these gentlemen are going to be testifying. So, I'd ask that they be sworn.

BENNY WAMPLER: Sure.

(Jerry Grantham and Phil Horn are duly sworn.)

TIM SCOTT: What we have passed out, we have an Exhibit A to our application and Exhibit B listing the parties who received notice and then we have an Exhibit C, which Mr. Grantham has just passed to the members of the Board indicating the respective locations of the wells from which the well location and application had been requested. My first witness is Mr. Horn.

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name?

A. My name is Phil Horn.

Q. Did you participate in preparing this application?

A. Yes, I did.

Q. And what is your job description, Mr. Horn?

A. I'm district landman for Pine Mountain Oil and Gas and I'm in charge of all land related affairs of getting the wells drilled.

Q. Are you familiar with the ownership of the oil and gas within the boundary of this well?

A. Yes, I am.

Q. And who is the oil and gas owner?

A. Pine Mountain Oil and Gas owns the oil and gas.

Q. As to the reciprocal wells, who operates P-2, P-86 and P-67?

A. Those are operated by our partner Equitable Production Company.

Q. So, Pine Mountain also participates in the operation of those wells?

A. Yes, we do.

Q. How were the...?

TIM SCOTT: I'm going to stop for just a second,

Mr. Chairman. On each of the applications that we filed today, we did not prepare a tract identification, which we would typically do because the parties who received notice are all identical for each of the tracts that are listed. But we do have applications that are coming before the Board next month where we actually done that for the Board's convince.

Q. As to the notice of this hearing, how was that done, Mr. Horn?

A. It was done by certified mail.

Q. And have you provided proof of mailing to Mr. Wilson?

A. Yes, we have.

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

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

JERRY GRANTHAM

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Okay. Mr. Grantham, would you please state your name and by whom you are employed?

A. Jerry Grantham. I'm employed by Pine Mountain Oil and Gas.

Q. And what's your...what's your position with Pine Mountain?

A. I'm vice president of Pine Mountain.

Q. Can you explain, using Exhibit A to the application, exactly why we're seeking a well location exception for this particular well?

A. Certainly. We're seeking a location exception for well 530010 because there really is not other location to drill this well that would be...comply with the state spacing. 530010 we positioned in between these wells that have been drilled a number of years ago. The circles on this map represent a 1250 radius. Again, that would be the state spacing, which would be a 112 acres. So, what we tried to demonstrate here is why we're seeking the exception and where these circles overlap. The green area that's shaded in this exhibit is the area...the acreage actually that is not underlined by any current unit. This is approximately 78.59 acres. So, we're seeking an exception so that we can develop that stranded acreage.

Q. If...do we have any correlative rights

issues here, Mr. Grantham?

A. We do not.

Q. And in the...what's the total well depth... proposed well depth?

A. The total well depth for this well is 6685.

Q. And what would be the projected loss of reserves if this application were not granted?

A. Yeah, we estimate it at 450 million cubic feet.

Q. And why should the Board grant our application?

A. Well, this exception would basically prevent waste by allowing us to develop the reserves that underlying under the green area, the undeveloped portion of the property. By also developing that acreage we're protecting correlative rights and we fill that those are the reasons that the Board should allow this.

TIM SCOTT: Thank you. That's all the---.

BENNY WAMPLER: Questions...questions from members of the Board?

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Jerry, are all of these wells producing out of the same formations...the offsets?

JERRY GRANTHAM: Some of them, they're all producing, I believe, out of the Berea. There are some shallower horizons---.

BRUCE PRATHER: Okay.

JERRY GRANTHAM: ---that are more discontinuous. I don't know which wells they are producing out of.

BRUCE PRATHER: Okay. Thank you.

BENNY WAMPLER: And they are older wells, did you say?

JERRY GRANTHAM: Yes.

BRUCE PRATHER: Yeah.

JERRY GRANTHAM: Yes.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TIM SCOTT: No, sir.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BRUCE PRATHER: I'll second.

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

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

TIM SCOTT: Thank you.

BENNY WAMPLER: Next is a petition from Pine Mountain Oil and Gas Company for a well location exception for a proposed conventional well V-530015, docket number VGOB-07-0918-2037. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Tim Scott and Jerry Grantham and Phil Horn for Pine Mountain Oil and Gas.

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

TIM SCOTT: Mr. Chairman, we have already, again, provided an Exhibit C, which indicates the location of the reciprocal wells, as well as the green acreage...or the green area showing the acreage that is the stranded acreage.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name

and by whom you are employed?

A. My name is Phil Horn. I'm the district landman for Pine Mountain Oil and Gas, Inc.

Q. Did you participate in the preparation of the application now pending before the Board?

A. Yes, I did.

Q. And are you familiar with the ownership of the oil and gas underlying this well?

A. Yes, I am.

Q. And who owns the oil and gas?

A. Pine Mountain owns the oil and gas under the entire unit.

Q. Who operates well numbers P-113, P-65 and P-56?

A. Equitable Production Company.

Q. And does Pine Mountain also participate in the operation of those wells?

A. Yes, we do.

Q. As to how this notice of hearing or this hearing was provided to the parties listed on Exhibit B, how was that done, Mr. Horn?

A. It was done by certified mail.

Q. And has proof of mailing been provided to Mr. Wilson?

A. Yes, it has.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, would you please state your name and by whom you're employed?

A. Jerry Grantham and I am employed by Pine Mountain Oil and Gas.

Q. And what is your...what is your position with Pine Mountain Oil and Gas?

A. I'm vice president.

Q. And using Exhibits A and C, would you please explain to the Board why we're seeking a well location exception?

A. On Exhibit C, we've done basically the same type of exhibit where we've represented the 1250 foot radius for each of the conventional wells that are drilled in this

area. That would be the 50056, 50067 and 50113. We are proposing to drill a location in between those at 530015. The...you can...the purpose of this exhibit to show where the wells overlap on the existing state spacing. In the green shaded, again, is the area that is currently not included in any existing conventional unit. This is approximately 81.97 acres out of the 112 acre unit or approximately 75%.

Q. What's the proposed depth of this well?

A. The proposed depth of this well is 6634.

Q. And what would be the loss of reserves if this application were not granted?

A. We estimate that at 350 million cubic feet.

Q. And, finally, why should the Board approve this application submitted by Pine Mountain Oil and Gas?

A. We believe by allowing us to drill this exception location we will actually promote the conservation of the gas resource and prevent waste, protect correlative rights on the acreage that's in the new unit.

TIM SCOTT: That's all the questions for Mr. Grantham.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TIM SCOTT: No, sir.

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

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

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further questions?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

TIM SCOTT: Thank you.

BENNY WAMPLER: Next is a petition from Pine Mountain Oil and Gas for a well location exception for proposed conventional well V-530019, docket number VGOB-07-0918-2038. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Pine Mountain Oil and Gas.

BENNY WAMPLER: The record will show no others.

You may proceed.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name and by whom you're employed?

A. My name is Phil Horn. I'm district landman for Pine Mountain Oil and Gas, Inc.

Q. And did you assist in the preparation of this application now pending before the Board?

A. Yes, I did.

Q. Are you familiar with the ownership of the oil and gas for acreage encompassed by this unit?

A. Yes, I am. It's owned by Pine Mountain Oil and Gas, Inc.

Q. Additionally, Mr. Horn, who operates the reciprocal wells V-536760, V-57 and V-536732?

A. Equitable Production Company.

Q. And does Pine Mountain also participate in the operation of these wells?

A. Yes, we do.

Q. As to notice to the parties listed on Exhibit B to the application, how was notice affected that this hearing would take place today?

A. By certified mail.

Q. And have you provided proof of mailing to Mr. Wilson?

A. Yes, we have.

Q. Okay.

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

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, by whom are you employed?

A. I'm employed by Pine Mountain Oil and Gas.

Q. And what is your position with Pine Mountain Oil and Gas?

A. I'm vice president.

Q. And using Exhibits A and C, which we've just presently...just provided to the Board Exhibit C, would you please explain to the Board why we're seeking a location exception?

A. Again, Exhibit C shows the relationship between the proposed well 530019 and the existing conventional wells that are drilled...already drilled around it. The red circle represents a 1250 foot radius, which is the current state spacing. We're requesting an exception so that we can drill the well in between these three wells to develop the reserves that are underlying in this location. The green area represents the amount of acreage that is currently not in an existing unit and would be strained if we were unable to drill this well and that is approximately 86.5 acres.

Q. What's the proposed depth of this well?

A. 6644.

Q. And what would be the potential loss of reserves if this application were not granted?

A. 300 million cubic feet of gas.

Q. Would you please tell the Board why this application should be approved?

A. This application should be approved to promote the conservation of the gas resource and prevent

waste and also to maximize production and also to protect any correlative rights.

TIM SCOTT: That's all I have for Mr. Grantham.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TIM SCOTT: No, sir.

BENNY WAMPLER: Is there a motion?

KATIE DYE: Motion to approve.

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

TIM SCOTT: Thank you.

BENNY WAMPLER: Next is a petition from Pine Mountain Oil and Gas Company for a well location exception for proposed conventional well V-53004. This is docket number VGOB-07-0918-2039. We'd ask the parties that wish to

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

TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Pine Mountain Oil and Gas.

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

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name and by whom you're employed?

A. My name is Phil Horn. I'm district landman for Pine Mountain Oil and Gas, Inc.

Q. Did you participate in the preparation of the application now pending before the Board?

A. Yes, I did.

Q. And are you familiar with the ownership of the oil and gas underlying this unit---?

A. Yes, I am.

Q. ---acreage in this unit?

A. Yes, I am. Pine Mountain owns 100% of the

oil and gas in this unit also.

Q. Now, as to the reciprocal well, who operates well number P-372?

A. Equitable Production Company.

Q. Does Pine Mountain also participate in the operation of this well?

A. Yes, we do.

Q. As to how notice was affected that this hearing would take place, how was that done?

A. By certified mail.

Q. Has proof of mailing been provided to Mr. Wilson?

A. Yes, it has.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, would you state your name and

by whom you are employed?

A. My name is Jerry Grantham. I'm vice president of Pine Mountain Oil and Gas.

Q. Would you please explain to the Board by using Exhibits A and C exactly why we're seeking a well location exception in this matter?

A. Again, Exhibit C is an exhibit that shows the relationship between our proposed well 530004 and the existing drilled conventional wells in this area. The red circle represents a 1250 radius, which is the current state spacing of 112 acres. The green area represents the amount of acreage that is currently undeveloped by any existing unit. This one is a little different because you can see that we could effectively slid this location to the east and not request an exception, however, we're requesting this exception because of the topographic features that are out on location. If we go to the east so that we don't have to have an exception here, we're basically perched on the side of very steep slope and we believe that there would be safety and environmental issues in drilling that location there. So, we're requesting the exception because of those reasons. The area that's undeveloped in green under this unit represents a 106 acres out of the 112 acres in that unit.

Q. Okay, thank you. What is the proposed depth of this well?

A. This well has a proposed depth of 6563.

Q. And what would be the estimated loss of reserves if this application were not granted?

A. 300 million cubic feet of gas.

Q. And would you please tell the Board why this application submitted by Pine Mountain Oil and Gas should be approved?

A. It should be approved to maximize production and certainly the utilization of the gas resource, protect correlative rights and in this case because of safety and environmental issues.

TIM SCOTT: That's all I have for Mr. Grantham.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TIM SCOTT: No, sir.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BRUCE PRATHER: I second.

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

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

TIM SCOTT: Thank you.

JERRY GRANTHAM: Thank you.

PHIL HORN: Thank you.

TIM SCOTT: Thank you for moving me to the head of the class.

BENNY WAMPLER: Well, that concludes our hearing today.

(Laughs.)

JIM KAISER: You're a funny guy.

(Laughs.)

JIM KAISER: I'm already out here getting beat up by my client (inaudible) go somewhere.

(Laughs.)

JIM KAISER: You shot me a laser look when I walked in. I thought, oh, I'm in big trouble. You were planning that all along, weren't you?

JIM TALKINGTON: With a straight face, I might

add.

(Laughs.)

BENNY WAMPLER: Okay. Next is a petition from Hard Rock Exploration, Inc. for creation and pooling of conventional unit HRVAE #24, docket number VGOB-07-0918-2022. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser, Jim Stephens and Jim Talkington on behalf of Hard Rock Exploration, Inc. I'd ask that they be sworn at this time.

(Jim Stephens and Jim Talkington are duly sworn.)

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

JIM KAISER: We'll start with Mr. Talkington.

JIM TALKINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. If you would state your name, please, who you're employed by and in what capacity?

A. Jim Talkington, contract landman, Hard

Exploration, Inc.

Q. And your responsibilities for Hard Rock include the land involved here and in the surrounding area?

A. Yes.

Q. And you're familiar with the application that we filed seeking to establish a drilling unit and pool any unleased interest in that unit for Hard Rock #24, which was dated August the 17th, 2007?

A. Yes, sir.

Q. Now, Hard Rock owns drilling rights in the unit involved, right?

A. That's correct.

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

A. Yes.

Q. And what is the interest under lease to Hard Rock within the unit at this time?

A. 43.54%.

Q. And that means 54.46% remains unleased?

A. Yes.

Q. Okay. And all unleased parties are set out at Exhibit B-3?

A. Yes.

Q. And we do not have any unknown entities, correct?

A. Correct.

Q. The addresses set out in Exhibit B to the application are the last known addresses for the respondents?

A. Yes.

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

A. Yes.

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

A. I am.

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

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

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

A. Yes.

JIM KAISER: Mr. Chairman, at this time, we'd ask the election option testimony taken previously today...I

don’t have the docket number in front of me, but I believe it was 1109-02 be incorporated for purposed of this hearing.

BENNY WAMPLER: Do you accept that?

JIM TALKINGTON: Yes, sir.

BENNY WAMPLER: That will be incorporated.

Q. This is a conventional well. We don’t have any unknown entities. So, the Board does not need to establish an escrow account, correct?

A. Yes.

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

A. Hard Rock Exploration, Inc.

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

BENNY WAMPLER: Questions from members of this Board of this witness?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JIM STEPHENS

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Stephens, if you would state your name, who you're employed by and in what capacity?

A. My name is Jim Stephens. I'm employed by Hard Rock Exploration. I'm president of the company.

Q. And what's the total depth of the proposed well here?

A. 6600 feet.

Q. And the estimated reserves?

A. 300 million cubic feet.

Q. Now, has an AFE been prepared by you, signed and submitted to the Board?

A. Yes.

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

A. Yes, it does.

Q. Could you state for the Board both the dry hole costs and completed well costs for Hard Rock #24?

A. The dry hole costs are $269,892 and the completed well costs are $498,963.50.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge

for supervision?

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BRUCE PRATHER: I'll second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Hard Rock Exploration, Inc. for creation and pooling of conventional gas unit HRVAE #25, docket number VGOB-07-0918-2023. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser, Jim Talkington and Jim Stephens. We'll start with Mr. Talkington.

JIM TALKINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes, sir.

Q. And Hard Rock owns drilling rights within this unit?

A. Yes.

Q. Prior to the filing of the application and subsequent to the filing of the application, did you continue to attempt to make contact with each of the respondents owning an interest in the unit and an attempt to

work out a voluntary lease agreement with each?

A. Yes, we do.

Q. Okay. Now, at the time that we filed the application, we had 73.87% of the unit under lease, is that correct?

A. That’s correct.

Q. Okay. And, then, since that time and as reflected our revised exhibit, you were able to pick up leases on both Tracts 3 and 4, is that correct?

A. That’s correct.

Q. And that’s also reflected on Exhibit B-2 in the revised exhibits as those folks being dismissed, correct?

A. Correct.

Q. And that now gives Hard...gives us a total of 93.8% under lease at this time, correct?

A. Correct.

Q. So, the percentage that remains unleased in the unit is that percentage that is reflected in Tract 2 and then Tract 6 because it’s actually leased to Chesapeake, which gives us a unleased percentage at this time of 6.2%?

A. That’s correct.

Q. Okay. And, then, all unleased interest, as they exist now, are shown in Revised Exhibit B-3?

A. Correct.

Q. Okay. We don't have any unknown or unlocateables in the unit, correct?

A. Correct.

Q. And the addresses set out in Revised Exhibit B are the last known addresses for the respondents?

A. Yes.

Q. We're requesting the Board to force pool all unleased interest as listed at B-3?

A. Yes.

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

A. I am.

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

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

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

A. Yes, they do.

JIM KAISER: Mr. Chairman, we'd, again, request

that the election options afforded the unleased parties and the information concerning those be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

A. Yes, sir.

BENNY WAMPLER: That will be incorporated.

Q. Again, we don't have any unknowns. It's a conventional well, so we don't...there's no conflicting title claims. We do not...the Board does not need to establish an escrow account, correct?

A. Correct.

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

A. Hard Rock Exploration, Inc.

JIM KAISER: Thank you. Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JIM TALKINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Stephens, what's the total depth of this proposed well?

A. 6700 feet.

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

A. 300 million cubic feet.

Q. And did you prepare an AFE and attached it as Exhibit C to this application?

A. Yes.

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

A. Yes.

Q. Could you state both the dry hole costs and actual well...and completed well costs for this well?

A. Dry hole costs are $269,380 and completed well costs are $499,059.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted with the revised set of exhibits.

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: And second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM TALKINGTON: Thank you.

JIM STEPHENS: Thank you.

BENNY WAMPLER: Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 826382. This is docket number VGOB-07-0918-2024. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, in this case, it will be Jim Kaiser, Dennis Baker and Stan Shaw on behalf of Chesapeake Appalachia.

(Dennis R. Baker and Stan Shaw are duly sworn.)

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

JIM KAISER: I'm going to start with Mr. Baker.

DENNIS R. BAKER

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, if you would please state your name, who you're employed by and in what capacity?

A. My name is Dennis Baker. I'm employed by Chesapeake Appalachia, LLC as senior land representative.

Q. And your responsibilities include the land

involved here and in the surrounding area?

A. Yes.

Q. Are you familiar with the application that we filed seeking to establish a drilling unit and pool any unleased interest in that unit for well number 826382?

A. Yes, I am.

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

A. Yes.

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

A. Yes.

Q. Okay. What is the interest under lease to Chesapeake within the unit?

A. Currently, Chesapeake has leased 88.791892%.

Q. Okay. So, that leaves 11.208108% unleased?

A. That’s correct.

Q. Okay. And are all unleased parties set out at Exhibit B-3?

A. Yes.

Q. And we’ve identified all the...no, we do

have an unknown in Tract 8. Okay, that's the...it's Carl Joseph Wolford and spouse or Heirs. Did you make all reasonable and diligent attempts to locate that by checking both the primary and secondary sources?

A. Yes, we did.

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

A. Yes.

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

A. Yes.

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

A. Yes, I am.

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

A. A five dollar per acre consideration, a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights

within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, we'd, again, ask that the testimony taken earlier regarding the statutory election options be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

DENNIS R. BAKER: Yes, we do.

BENNY WAMPLER: They will be incorporated.

Q. Mr. Baker, the Board does need to establish an escrow account for the small percentage of Tract 8 that's attributable to the unknown Heirs of Carl Joseph Wolford, is that correct?

A. That's correct.

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

A. Chesapeake Appalachia, LLC.

JIM KAISER: That's all I have of this witness at this time, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

STAN SHAW

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Stan Shaw. I work for Chesapeake Appalachia, LLC as a reservoir engineer.

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

A. Yes.

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

A. 6,165 feet.

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

A. 350 million cubic feet.

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

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of well costs?

A. It does.

Q. Could you state both the dry hole costs and

completed well costs for this well?

A. Dry hole costs are $328,768 and the completed well costs are $651,520.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

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

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

(No audible response.)

BENNY WAMPLER: Are drilling costs continuing to escalate?

STAN SHAW: Yeah, we're looking at another little bump for next year.

BRUCE PRATHER: What's the elevation...what's the

elevation of this well? Is it way up on a mountain?

STAN SHAW: 1708 feet.

JIM KAISER: Yeah. So, there's $75,000 for the...built in for the location if you look at the AFE.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

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

KATIE DYE AND KATIE DYE: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 826380 and it's docket

number VGOB-07-0918-2025. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, it will be Jim Kaiser, Dennis Baker and Stan Shaw. We originally submitted this application and had the wrong docket number on there. So, I've got a corrected front page. I believe it said maybe 2024 instead of 2025.

(Jim Kaiser passes out a revised front page.)

BENNY WAMPLER: Mine was correct.

JIM KAISER: It was.

PEGGY BARBAR: Mine was too.

JIM KAISER: Huh. Maybe we corrected it and sent it to you in advance of this. Sorry.

BENNY WAMPLER: That's okay.

JIM KAISER: A double correction. We'll start with Mr. Baker.

DENNIS R. BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, do your responsibilities include the land involved here and in the surrounding area?

A. Yes, they do.

Q. Are you familiar the application that we filed seeking to both establish a drilling unit and pool any unleased interest in that unit?

A. Yes.

Q. And does Chesapeake own drilling rights in the unit involved here?

A. Yes, we do.

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

A. Yes.

Q. What percentage of the unit is under lease to Chesapeake?

A. Currently, we have 66.261425%.

Q. And...so that leaves 33.738575 unleased?

A. That’s correct.

Q. And the unleased parties are set out at B-3 to the application?

A. Yes.

Q. We do not have any unknown and unlocateables in this unit?

A. No, we don’t.

Q. Okay. And the addresses set out in Exhibit B to the application are the last known addresses for all of

the respondents?

A. Yes.

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

A. Yes.

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

A. Yes, I am.

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

A. A five dollar per acre consideration, a five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Again, Mr. Chairman, we'd ask that the election testimony be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

DENNIS R. BAKER: We accept them.

BENNY WAMPLER: They will be incorporated.

JIM KAISER: Thank you.

Q. Mr. Baker, in this case, the Board does not need to establish an escrow account?

A. No, they do not.

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

A. Chesapeake Appalachia, LLC.

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

BENNY WAMPLER: You have the double asterisks and CNX Gas Company, LLC oil and gas lessee. You're showing them unleased.

DENNIS R. BAKER: Right. The Mary Lou Krowl Estate and the limited liability...limited partnership are leased to CNX. They're not leased to Chesapeake. So, we're pooling the rights that CNX has.

BENNY WAMPLER: Thank you. Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Now, Mr. Shaw, do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. Are you familiar with the proposed exploration for this well?

A. Yes.

Q. And the total depth of this well?

A. 5740 feet.

Q. Estimated reserves for the unit?

A. 300 million.

Q. Are you familiar with the AFE that has been reviewed, signed and submitted to the Board as Exhibit C?

A. Yes.

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

A. Yes.

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

A. The dry hole costs are $292,903 and the completed well costs $618,023.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge

for supervision?

A. Yes.

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

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 826109, docket number VGOB...I'm sorry, we continued that, didn't we? I circled it and didn't write continued there.

JIM KAISER: That's okay. It has been a long day.

BENNY WAMPLER: Strike that. Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 826463, docket number VGOB-07-0918-2027. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: And, again, Jim Kaiser, Dennis Baker and Stan Shaw.

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

DENNIS R. BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, again, do your responsibilities include the land involved in this unit and in the surrounding area?

A. Yes.

Q. Are you familiar with the application that

we filed seeking to establish a drilling unit and pool any unleased interest in that unit for this well, which was dated August the 17th, 2007?

A. Yes.

Q. Now, Chesapeake own drilling rights in the unit involved here?

A. Yes, we do.

Q. And prior to the filing of the application, were efforts made to contact each of the respondents owning an interest in the unit and an attempt made to work out a voluntary agreement?

A. Yes.

Q. So, what is the interest under lease to Chesapeake within the unit?

A. Currently, Chesapeake has leased 76.084835%.

Q. Okay. So, that leaves 23.915165% unleased?

A. That’s correct.

Q. And are all unleased parties set out at Exhibit B-3?

A. Yes.

Q. And we have identified each of the interest owners. There are no unknown entities, correct?

A. That’s correct.

Q. Are all the addresses set out in Exhibit B to the application, the last known addresses for the respondents?

A. Yes.

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

A. Yes.

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

A. Yes, I am.

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

A. A five dollar per acre consideration, a five year term and one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent the fair market value of and the fair and reasonable compensation to be---?

A. Yes.

Q. ---paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, again, we'd like to incorporate the statutory election option testimony.

BENNY WAMPLER: Do you accept the---?

DENNIS R. BAKER: Acceptance, yes.

BENNY WAMPLER: ---terms of that? That will be incorporated.

Q. Okay. The Board does not need to establish an escrow account for this unit, correct?

A. No, we do not.

BENNY WAMPLER: You have an unknown and unlocateable on Tract 9.

JIM KAISER: Oh, we do? We do? Where?

BENNY WAMPLER: Tract 8. Right? I mean, that's what's on---.

JIM KAISER: No, you're on the wrong file. We don't, do we?

DENNIS R. BAKER: No.

JIM KAISER: There is no Tract 8. You're looking at the one that we had previously, I think.

BENNY WAMPLER: No.

JIM KAISER: No?

PEGGY BARBAR: No, this is...I have same thing.

BENNY WAMPLER: No, it's---.

KATIE DYE: I have to same thing too.

JIM KAISER: You've got the wrong exhibits in there then.

BENNY WAMPLER: It says 826463.

JIM KAISER: Huh. Here's what I've got for mine.

DENNIS R. BAKER: Yeah, I've only got two pages.

JIM KAISER: Oh, my goodness. What you've got...is it that Carl Wolford guy again?

BENNY WAMPLER: Yeah.

JIM KAISER: So, you've got the same exhibit twice.

DENNIS R. BAKER: Uh-huh.

PEGGY BARBAR: That's what I was thinking. I think the same exhibits on the first one...were right here.

JIM KAISER: Well---.

BENNY WAMPLER: Well, we just need to get it cleaned up.

JIM KAISER: Yeah.

BENNY WAMPLER: Just...for the record, just straighten this out here.

JIM KAISER: Okay.

BENNY WAMPLER: Which tracts should be in B-3?

JIM KAISER: In B-3?

BENNY WAMPLER: Uh-huh.

JIM KAISER: B-3 will be Tract 2, 26.95 acres, which is the Zach Justus Heirs.

BOB WILSON: We don't have that.

JIM KAISER: Huh?

BOB WILSON: We don't have that, do we?

BENNY WAMPLER: I had that in here as an insert.

JIM KAISER: You do. I wonder what went wrong?

BENNY WAMPLER: 26.95 acres?

JIM KAISER: Yeah. That's odd. I wonder why they would have the right B-3, but not the right B? I wonder why you would have the right B-3, but not the right B?

SHARON PIGEON: Well, this was after...we got the wrong B-3 attached to the package.

BENNY WAMPLER: That was Tract 2.

JIM KAISER: Oh,

BENNY WAMPLER: Yeah. And then we had 3, 4, 5, 6, 7 and 8 and then in 8 you had the unlocateable.

JIM KAISER: That was a whole different well.

DENNIS R. BAKER: Yeah.

JIM KAISER: That was the one that we just pooled prior to this.

SHARON PIGEON: Except it has that well number on it---.

BOB WILSON: Yeah.

SHARON PIGEON: ---all the way through.

BENNY WAMPLER: Okay.

SHARON PIGEON: All right. So, we're to tear out

the B-3.

JIM KAISER: You do have the correct one, Mr. Wilson?

BOB WILSON: Yes, sir.

JIM KAISER: Okay. You need to tear out the 8 tract one, yeah.

SHARON PIGEON: So, that starts with you B-3 and substitute this B-3 and the Exhibit E is gone.

JIM KAISER: Exhibit E is gone. There should just be a B and a B-3 for this well.

SHARON PIGEON: Right.

BENNY WAMPLER: Right. So, just to make sure that we've got a clear record, do you want to go back through the tracts?

JIM KAISER: Sure. I'll just go ahead and go through B in its entirety. How about that?

BENNY WAMPLER: Yeah, that will be good.

JIM KAISER: Tract B...I mean, Exhibit B, Tracts 1, 3 and 4, which represents when collectively 85.74 acres in the unit are all owned by Buchanan Energy, okay? We're force pooling them for unitilization purposes. Although, Mr. Baker, I guess, today was delivered agreements adding pooling to the lease for those tracts. Ms. Harrison gave them to him while she was here. Tract 2 representing 26.95

acres in the unit are all the Zach Justus Heirs, which would include D. Mack Justus, Edith Hubert and Charles Hubert, John Baird, William J. Baird, III, Charles J. Baird, Jane Baird Evans and then the Charles J. Baird, Trustee for various I guess beneficiary of that...of the equivocal trust. There should be one, two, three, four, five, six, seven of those listed.

BENNY WAMPLER: Yes.

JIM KAISER: I just must just had a mixup in putting this package together. All right, so where were we? What was the last question I asked you?

DENNIS R. BAKER: Well, you were on the B-3s.

JIM KAISER: Okay. Obviously.

Q. So, now that we have the exhibits straightened out, we are requesting the Board to force pool all those unleased interest as listed at Exhibit B-3, correct?

A. Yes, that's correct.

Q. We don't have any unknowns.

A. That's true.

Q. We don't need an Exhibit E, correct?

A. That's correct.

Q. Okay. Are you familiar with the fair market value of drilling rights in this unit?

A. Yes, I am.

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

A. A five dollar per acre consideration, five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, we'd, again, ask that the statutory election option testimony be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those?

DENNIS R. BAKER: I accept those.

BENNY WAMPLER: They will be incorporated.

JIM KAISER: Thank you.

Q. The Board does not need to establish and escrow account?

A. No.

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

A. Chesapeake Appalachia, LLC.

JIM KAISER: Nothing further of this witness at

this time, Mr. Chairman.

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, do your responsibilities include the land involved in this unit?

A. Yes.

Q. And you're familiar with the plan for exploration?

A. Yes.

Q. And what is the proposed depth?

A. 5,630 feet.

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

A. 300 million cubic feet.

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

A. Yes.

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

A. Yes, it does.

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

A. Dry hole costs are $311,816 and completed well costs are $646,256.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

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

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

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted provided we do have the right exhibits in there.

BENNY WAMPLER: You will verify with Mr. Wilson that he has what he needs?

JIM KAISER: Yeah, I'll verify with Mr. Wilson.

BOB WILSON: I think we're in good condition.

JIM KAISER: I talk to him almost daily.

BOB WILSON: Sometimes several times.

JIM KAISER: Yeah, sometimes several times.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BRUCE PRATHER: Second.

BENNY WAMPLER: And second. Any further discussion?

(No audible response.)

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

(No audible response.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

JIM KAISER: Thank you.

BENNY WAMPLER: Next is a petition from Chesapeake

Appalachia, LLC for a well location exception for proposed conventional well 826382, docket number VGOB-07-0918-2028. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, in this case, it will be Jim Kaiser and Stan Shaw for Chesapeake.

BENNY WAMPLER: Exhibit C, right?

JIM KAISER: Yes.

BENNY WAMPLER: You may proceed.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, your responsibilities, obviously, include the land involved here and in the surrounding area?

A. Yes.

Q. And you're familiar with the application we filed seeking a location exception for well 826382?

A. Yes.

Q. 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 underlying the unit for this well?

A. Chesapeake Appalachia owns 100%.

Q. And does Chesapeake have the right to operate the...I guess, there's just one well we're seeking an exception from?

A. Yes.

Q. Are there any correlative rights issues?

A. No.

Q. Okay. Now, in conjunction with your exhibit, explain why we're seeking this location exception of...I think it's only of about 8 feet, isn't it?

A. 9 feet or maybe closer.

Q. 9 feet.

A. The coal did not approve the original location, a little further south there. The circles on this exhibit are...they're not the 1250 foot units. They're the 2500 foot spacing radius. So, it's very close to being a legal location. We did work with the coal company there. The next useable location to the south would have had us at about 3,000 feet. We would have been getting into the waste or reserves there. The scale is off a tad again from the Adobe we printed. The line is really at 2500 feet. It's just not quite an inch to a thousand scale. So, it's

terrain and working with the coal company.

Q. In the event the location exception were not granted, would you project the estimated loss of reserves?

A. 350 million cubic feet.

Q. And the total depth of this proposed well?

A. 6,165 feet.

Q. And are we requesting that the location exception cover conventional gas reserves to include the formations designated in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this application be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying this unit?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be

approved as submitted.

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

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

KATIE DYE AND PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Chesapeake Appalachia, LLC for a well location exception for proposed conventional well 826380, docket number VGOB-07-0918-2029. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Jim Kaiser and Stan Shaw for Chesapeake.

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

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, again, do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. Are you familiar with the application we filed seeking a location exception of this well?

A. I am.

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 underlying this unit?

A. Chesapeake Appalachia owns 100%.

Q. And does Chesapeake Appalachia have the right to operate any reciprocal wells?

A. We do.

Q. Are there any correlative rights issues?

A. No.

Q. Okay. Now, in conjunction with the exhibit that you just passed out, explain why we're seeking this

location exception?

A. It's an infill well, meaning there's no possible way to get 2500 feet from all wells. Also, we're avoiding a cemetery to the east, some houses to the south, steep terrain and a coal company's sediment pond, which I believe is to the north. Yes, it is. This location was picked in conjunction with coal? It was pre-approved by the coal.

Q. Okay. So, to summarize, because of the location of the existing wells, we can't get a legal location without leaving some reserves out there, we want to stay away from a cemetery, we want to stay away from some houses and there's some terrain issues and a...and to the north a coal sediment pond?

A. Correct.

Q. Okay. In the event this location exception were not granted, could you project the estimated loss of reserves?

A. 300 million cubic feet.

Q. And the total depth of this proposed well?

A. 5,740 feet.

Q. And are we requesting that this location exception cover conventional gas reserves to include the formations as designated in the application from the surface

to total depth drilled?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of protecting correlative rights, preventing waste and maximizing the recovery of the reserves underlying the unit for this well?

A. Yes.

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

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

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Chesapeake Appalachia, LLC for a well location exception for proposed conventional well 823794, docket number VGOB-07-0918-2030. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Stan Shaw for Chesapeake.

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

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, again, your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. And you're familiar with the application that we filed seeking a location exception?

A. Yes.

Q. And all interested parties have been

notified as required by Section 4(B)?

A. Yes.

Q. Could you indicate for the Board the ownership of the oil and gas underlying this unit?

A. Chesapeake Appalachia owns 100%.

Q. Does Chesapeake have the right to operate the one reciprocal well?

A. We do.

Q. Are there any correlative rights issues?

A. No.

Q. Again, in conjunction with your exhibit, explain why we're seeking this exception.

A. This is a terrain and coal issue. The site is picked on a natural bench. The only other available build location puts us in excess of 3,000 feet again. So, it's prevention of waste, terrain and the site is coal approved.

Q. In the event this location exception were not granted, would you project the estimated loss of reserves?

A. 300 million cubic feet.

Q. The total depth for this well?

A. 5,740 feet.

Q. Are we requesting this location exception

to cover conventional gas reserves to include the designated formations and the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would granting this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of gas reserves underlying the unit?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: Motion to approve.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM KAISER: Thank you.

BENNY WAMPLER: Next is a petition from Equitable Production Company for establishment of a 320 acre conventional unit for drilling horizontal wells. This is docket number VGOB-07-0918-2031. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, in this case, it will be Jim Kaiser and Craig Eckert on behalf of Equitable.

BENNY WAMPLER: Need to get you sworn in.

(Craig Eckert is duly sworn.)

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

JIM KAISER: We've got a proposal put together for you that we'll pass out.

(Jim Kaiser passes out the exhibits.)

CRAIG ECKERT

having been duly sworn, was examined and testified as

follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Craig Eckert. I'm a geologist with Equitable Production.

Q. And if you could...I know you've testified before the Board previously, but if you could just sort of briefly go through your work experience and kind of what your, you know, different job roles---.

A. Sure.

Q. ---are there at Equitable.

A. I'm currently with Equitable Production. I've been so for the past seven years. I have a Bachelor's of Science Degree in geology from West Virginia University. I've worked for Consolidated Gas and C & G Development Company. I've worked Meridian Exploration. I've worked for Ashland Exploration and a company by the name of Merical Oil and Gas. My experience has been primarily in the Appalachian Basin. I've got over twenty-five years of experience as a geologist. Some of the other areas that I have worked have been Nigeria, Maritime, Canada and then, of course, the Appalachian Basin.

Q. Okay. And what we're before the Board today with this application is to establish or form a provision unit of 320 acres in which we would be seeking to drill or will be drilling horizontal conventional wells, correct?

A. That's correct.

Q. And in the...in the unit that's before the Board today are the proposed 320 acres. That's a 100%. All that acreage is a 100% under lease to Equitable, correct?

A. That's correct.

Q. And, in fact, a 100% of that acreage is just one royalty owner, correct, Penn Virginia Oil and Gas Corporation?

A. I believe...I believe that's correct. Yes.

Q. Okay. Do you want to look at the plat to just go ahead and confirm that? It's on Penn Virginia. It's just three tracts.

A. Right. That's correct.

Q. Okay. So, there's only one royalty owner, in all 320 acres is Penn Virginia Oil and Gas. With the introductory stuff out of the way, at this point, if you would just present your proposal to the Board as to why we would like the opportunity to form a unit this size and to drill some horizontal conventional gas wells.

A. Okay. Well, if you will allow me to just explain the two posters, which are also the first two schematics in your handouts. What I would like to show you first of all is a comparison between horizontal versus vertical wells. Typically, in the Appalachian Basin we've been drilling conventional wells vertically. With the vertical well, we'll complete say a 40 foot thick sandstone reservoir and we'll frac that well. We will produce the gas from that zone. But all the gas has to find its way to that vertical borehole. Also, in the case with the grey productive interval down below. I'm using, for an example, an 80 foot thick shell pay zone. All...all of the gas that's produced from that area has to find its way to the vertical borehole. So, the proposing is, and this is something that Equitable has been very active in pursuing already in some of the other adjoining states such as Kentucky and West Virginia. The proposal is to drill a well that would go horizontally for approximately 4,000 feet within one of these reservoir units. The diagram shows that, you know, at a 4,000 foot lateral, for example, if it were to go through that yellow horizon, I mean, we could actually be exposing as much as 100 times more of that formation directly to the borehole. So, you can much more efficiently drain a given reservoir.

The schematic to the left just shows a typical horizontal well plan showing that we would still, you know, have to set our surfacing casing down through aquifers, 300 foot minimum and then we would set our 9 5/8" casing down through the coal section, usually down the below the base of the Lee Sandstone and then we run a 7" casing string down through maybe the Berea. It's all going to depend on how deep our objective will be. But from that point then we will begin to drill a curve. Within about a 700 foot distance, that hole will become horizontal. Then at the point of going horizontal, we will keep that direction relatively flat and keep the trajectory of the drill bit relatively flat and drill a lateral for about 3,000 or 4,000 feet depending on the position of the well within the unit.

BENNY WAMPLER: Well, let me...let me just stop you so that our record is straight. We'll label the first drawing, which is in our packet as C, because you have a A and B. The second one is D and then any others that you refer to...you need to keep going alphabetically.

A. All right. If you would...if would turn to the next page then---.

Q. Which will be E.

A. ---which will be E. The proposal then would be for a 320 acre square unit to be constructed for a

horizontal well. This would be just for conventional horizons. The dimensions of that unit would be approximately 5280 from corner to corner and 3733 feet on a side.

The reason...Exhibit F then, the next page, the reason for this size of the unit would be because of variations in geology and fracture trends. There are a number of conventional...conventional formations that we would like to consider for horizontal drilling. Some of those are stratigraphic. Some of those are non-stratigraphic or structurally influenced reservoirs. In the case of a stratigraphic example, I'm showing a Raven Cliff Sand example where we might have a sand unit that has been mapped that we would want to drill a horizontal well through that porosity zone. The unit would need to be large enough so that we could drill a lateral at approximately 3,000 to 4,000 feet along the length of that sand channel and deplete the gas from that stratigraphic zone.

The second example on that same page shows the drilling of horizontal shell wells in units. Those would be oriented differently because of the direction of fracturing that has been mapped in a given area. It might require that that well be drilled perpendicular to a fracture orientation. That fracture orientation might change. So,

the need for being able to change the direction of your lateral is important as well.

SHARON PIGEON: G.

Q. G.

A. Okay. Let's see, going on to G. Variations in terrain, geology and reservoir type they dictate both the number of wells and laterals in a given unit. Again, what we're showing here are those two examples, but shown on the same unit. In other words, there could be shell potential as well as shallow sand potential in the same unit. So, by having such a large unit like this, we would be able to drill both Raven Cliff and the Devonian Shale wells in the same unit.

Going on to H, the next page, on our---.

SHARON PIGEON: That was H, right, that you finished?

JIM KAISER: That was G, I think.

A. Did I skip one, G. H would be---.

BENNY WAMPLER: That was H. Next is I.

JIM KAISER: Okay.

SHARON PIGEON: You're on I now.

BENNY WAMPLER: 80 acre is I.

JIM KAISER: Oh, you skipped this one.

A. Okay. All right. Yeah, I'm sorry. Okay,

on Exhibit I, I'm showing that those...that the 320 acre grid could actually overlay the present 80 acre grids that we have in our Roaring Fork Field. This...this is working for the example that we have to propose today in our Roaring Fork Field. But we're...at this point, we're really just proposing a horizontal drilling unit of this size and shape to be drilled as a...as a pilot for testing the concept and seeing if it works for us. Horizontal drilling, as I said, has worked quite well in other states and we're trying to do similar type of drilling in Virginia as well.

BENNY WAMPLER: Regardless...and I don't mean to jump ahead, but regardless that entire 320 acre would be your pay zone, right? Anybody that had interest in that would be paid out for the entire---?

A. Yes, that's correct.

BENNY WAMPLER: ---regardless of where---?

A. That's correct. That would the drilling unit for that first lateral. As we go through here, you'll see that one of the...one of the final points of this is to allow for multiple laterals even within a given horizon.

Q. So, that any royalty owners within that 320 acres would receive their pro-rata share of production from any zone that they decide to bore horizontally?

A. Uh-huh. Exhibit J then would be a 300 foot

interior window just like we currently have in both the Nora and Roaring Fork CBM units. But a 300 foot interior window with a 600 foot standoff required from adjacent grid horizontal well bores. In other words, if a horizontal lateral from an existing or an adjacent grid is to be drilled, it can't come within 600 feet of the borehole in this grid.

Q. So, the concept being that any lateral within that 320 acres that the end of that lateral would be inside the 300 foot setback, right?

A. Right. Correct.

Q. Okay. Which gives you a minimum distance of 600 feet from any existing lateral bore in any adjacent unit---?

A. Correct.

Q. ---with the idea that these are provisional units that we'll try a few of and then if the concept works really well, then we would probably come back and ask for a field rule?

A. That's correct. So, Exhibit K then, we should be able to drill surface locations outside of the unit so long as production comes from within the unit. What this is aimed at is allowing for us to land our lateral...as close to that interior window, but within it. As close to

that interior window as possible so as to maximize the lateral extent through that unit. In addition, in some cases it may be impossible for us to find a location suitable on the surface that's within the unit. So, if we were to start outside the unit, we would just have to be sure that we landed in the productive zone within that 300 feet interior window.

The next one...the next exhibit, which would...H, I, J, K, L, is the same thing. It's just shown in the other dimension looking at it from a side view.

Okay, then, M...Exhibit M, a minimum of 600 foot distance between horizontal well bore and any vertical well producing from that horizon. Essentially, what we're proposing here is that in a given 320 acre unit that we want to put a lateral, we would have to stay at least 600 feet away from any vertical borehole where there's production from that same zone.

Okay, then, Exhibit N, allow for multiple wells and/or laterals for maximum drainage. Again, this is...the intent here is to allow for maximum drainage of your reservoir within that 320 acre unit so that maybe from one drilling location, we would be able to drill two or three laterals in different directions into the Devonian Shell, for example.

Then, O, allowing for multiple wells and/or laterals for maximum drainage. It's essentially...it's that same concept just looking at the same thing in side view and you can see that in the case of the Devonian Shell we may want to go in two different directions. We may want to complete a lateral in the Berea Sandstone or in the Raven Cliff Sandstone in that same unit. But all the production from within that unit will go to those same royalty owners within the 320 acres.

Then, finally, in some cases, two or more wells may be able to use the same pad due to terrain restrictions. I think we touched on this earlier or I touched on this earlier with one of the other points. But the idea here is that...just so that we don't have to build so many new locations and disturb so much additional surface. If we have an existing location, in many cases it will make sense to use that same location to drill a well in this unit and in this unit and those two wells, even though they're on the same location, because they're getting production from different units, those wells will, you know, be...this one pays the royalty owners in the unit to the right and this would pay the royalty owners in the unit to the left.

What were on here, P? Q, the next page, is a map shot just showing the first...the first eight units that

Equitable is currently working on. The number one unit, and then again it's shown on the next page, but the number one unit is the first unit that we would like to propose for a horizontal well to be drilled on.

Q. This unit?

A. This unit. Yeah, unit one. Then, the final map page there, which would be...what was that O...Q, R...this would be R. The final map just shows a blow up of that unit number one with the location of the well being on an existing vertical location that we have already constructed. It was drilled back in 1992. So, there would be a minimal additional amount of surface disturbance because there's already a location there. Then, the dotted line would be the direction of that lateral ending before it exits the interior window down in the southeast corner. Then, the plat right next to it shows the same thing.

BENNY WAMPLER: Are you on the Coeburn side of High Knob?

A. We are.

BENNY WAMPLER: Is that next to Federal lands or is it private?

A. All of the locations that we're working on with the exception of one, I believe, and if you go back to Q, you can see the sort of...the modeled greyed out leased

areas.

BENNY WAMPLER: Right.

A. Those are Federal surface. Those are U. S. Forest Service surface. But everything that's in white would be...would be non-National Forest.

BENNY WAMPLER: Or yellow in our---.

A. I'm sorry. You have the colored one.

BENNY WAMPLER: I was just trying to help the Board members when they're looking at it because we've got...we've got a couple of white areas there.

A. Oh, yes.

BENNY WAMPLER: Right.

SHARON PIGEON: Little tiny ones.

A. Those are...those are some of the units that we're not prepared to propose yet because we still have some leasing to do. So, the benefits of horizontal drilling...and this would be the final exhibit, S. The benefits of horizontal drilling would be...we would have fewer issues with coal mining. Theoretically, over the course of drilling of that horizontal program we will access more reservoir with fewer surface disturbances. So, there will be less surface disturbance overall. We will more effectively extract the resource. Laterals can reach into areas otherwise in assessable by vertical boreholes. In the

case of, you know, completely land locked areas where we just can't get a surface location in there. We could still drill a horizontal well and drain those reservoirs to the benefit of the royalty owners under that land. Higher depletion rates and shorter lives to wells. Horizontal wells typically will produce more gas quicker than a vertical well. The horizontal drilling will encourage the development of the resources. This is...we've seen this already in the other states. There has been a real movement to horizontal drilling and, certainly, outside of the Appalachian Basin as well.

Q. Okay. So, let's just summarize real briefly then and let's take into account each of the other estate owners or other people involved out here in this process. The royalty owner should be well served because you'll be able to more effectively extract the resource, in other word, deplete the reservoir in a more efficient complete manner so that they will be receiving the total benefit of their estate. The surface owners should be happy because there will be less surface disturbance. The coal companies should be happier. I don't know if they're ever happy. But they'll be happier because there will be fewer holes and the wells will have shorter lives which is important to them. So, really all the other players in this

game theoretically and then as we do a few of these, will prove actually...should benefit from this whole process. Is that a pretty good assessment?

A. I think so.

Q. Okay. And you're doing this now in, I guess, Kentucky pretty extensively?

A. We are. Pretty much our entire drilling program in Kentucky has gone to horizontal drilling. Now, Kentucky is a little different because the primary target there is Devonian Shell and it's much more drilled up than Virginia. In Virginia, there are still a lot of opportunities for multiple pays in a given well. So, it still makes sense to drill vertical well programs in Virginia, more so than it does in Kentucky or at least in the parts of Kentucky where we are drilling for the Devonian Shell. But our...Equitable's program has pretty much gone to almost completely horizontal drilling in that state.

BENNY WAMPLER: In this 320 acre area, how many wells...vertical wells would you typically be drilling?

CRAIG ECKERT: Well, considering that the circular unit a 112 acres, you could have parts of three or maybe four in a given 320 acre unit. But I think on the average, I mean...if the circles don't include the areas that are outside of the circles. So, when we go to the 320 acre

squares. One of the intentions here is to include all royalty owners in each adjacent unit so that there is never anyone left out. I mean, that was one of the intentions of it being square.

BENNY WAMPLER: What...what occasion would drive you to have multiple wells?

CRAIG ECKERT: If we had...well, I think...I think eventually we are going to want to have multiple shell wells in a given unit, but we want to start our drilling a well...a single lateral well in this first unit so that we can do our reservoir studies and determine what the optimal number of wells because at this point, we don't really know that answer. But we would like to drill this first well to determine, you know, what we would feel the drainage from that well will be and then determine the number of additional wells that would...that would adequately drain. We know that 320 is too big. That's not...that's not the appropriate size for a lateral in the shale or in the Berea or any other formation. But short of requesting just an area outside of that...that would be some odd shape. Requesting an area outside of the borehole itself that would be some type of an odd shape, we felt that this would be the most prudent and acceptable means for developing that resource through horizontal drilling because it would allow

all royalty owners to participate in anything that was done in that unit and then you wouldn't have acreage left out in between. That was a primary concern, which is one of the Board's concerns as well, which is the protection of the correlative rights.

BENNY WAMPLER: I guess the other question I have now...I'm going to give the Board a chance to ask questions, but the other question I have is isn't this a type of plan that you would typically use more toward the end of the life of the other wells once you drilled your other vertical wells...you would come back in and try to...in other words---?

CRAIG ECKERT: We have---.

BENNY WAMPLER: ---get...have a different technique of getting more out?

CRAIG ECKERT: Well, certainly, there is...you know, it depends where you are in the field. I mean, there are places where we have drilled up the shell extensively and that there is not that many more opportunities for additional vertical wells to be drilled into that same formation. So, horizontal drilling makes a lot of sense in those area. In those areas, maybe we would only want to drill one or two wells...one or two laterals from a given location. In areas where we haven't yet depleted the

Devonian Shell from any wells that intercept that unit, we may want to do four or five laterals to effectively drain that area. Again, that's something that we haven't yet put a precise number on. This being a pilot will allow us to do some of those reservoir studies to determine just what the...what the area...what the optimal area of drainage would be.

BENNY WAMPLER: Questions from members of the Board?

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Craig, on your plan view E, minimum of 600 feet distance---?

CRAIG ECKERT: Uh-huh.

BRUCE PRATHER: ---do you think that 600 foot distance would be correct if you don't know what the configuration of that frac plan is on the Shell? In other words, you've got a well already out there. I mean...you know, the thing is have sand pumped into it. If you go that close to that well that has been fraced in the shell, then you go all the way out there. Now, agreed you'd have to have the royalty owners, albeit the same you'd have a royalty problem. But what I'm wondering about would is you know you have low pressure area around that older well and

that gas coming up there, if you would happen to get into that frac sand off that well in 600 feet, that...all your gas would go out that well instead of coming back in your new well.

CRAIG ECKERT: Well, I can...I can refer you to some of the experiences that we've had in even a higher depletion rate area such as parts of the Big Sandy Field in eastern Kentucky. We have taken wells that have produced for fifty years out of the Shell and we've pulled the casing, plugged them back and then kicked off and gone horizontal in those wells. In that case, you know, starting at the point at the bottom of the curve, which might be 500 feet in some cases because our short radius are about that---.

BRUCE PRATHER: Yeah.

CRAIG ECKERT: ---we have not seen that interference effect.

BRUCE PRATHER: Well, I think the wells that you're talking about were probably shot.

CRAIG ECKERT: They may have been.

BRUCE PRATHER: Yeah.

CRAIG ECKERT: Some...I mean, I don't have the answer whether or not they were shot or frac.

BRUCE PRATHER: Yeah, I mean, I'm just, you know,

giving this as an example. I just wanted to...if you're going to put these laterals between older wells that are coming out of the same zone that maybe you ought to extend that 600 foot to 700 or 800 or something like that to make sure because these wells have had quite a bit of sand pumped into if they're within the last twenty years. We don't know what the configuration of that frac pattern is. If it would happen to be linear, you would be going right through the thing. It would actually---.

JIM KAISER: Well, you could be going right through---.

BRUCE PRATHER: Yeah, because you've got a low pressure area off of the old well, it would take all of your gas. Now, if your royalty owners are the same, then you've got no problem. You'd just say, well, you know, we'll divide it up among the two wells and forget about it. But if the royalty owners were different, you would really be in a...have a problem.

JIM KAISER: Well, at the risk of sounding repetitive, at least for this particular unit, and I'd remind the Board that the royalty owner is the same, and that if we find that to be the case once we drill this well and study the reservoir, then, we could always come back with the next application, as you say, with maybe a greater

distance and then I don't want to preview what Mr. Grantham is going to testify on when we get to Pine Mountain's application for this same process, but there is some feeling within the industry among the engineers and geologist that these conventional wells aren't draining anywhere near 112 acres. So, I...you know, I don't know about frac links, but I can't imagine there's any...I don't know about configurations. I'm not a scientist.

BRUCE PRATHER: That's the problem.

JIM KAISER: But I guarantee you that there's no 600 foot frac link.

BRUCE PRATHER: I've seen them.

JIM KAISER: Well.

BRUCE PRATHER: But it is like this number one unit that you've got here, you've got this well 2324. Is that a coalbed methane well?

CRAIG ECKERT: No, there aren't any coalbed methane wells shown on this map.

BRUCE PRATHER: Okay.

JIM KAISER: We just showed the conventional wells.

CRAIG ECKERT: Just conventional wells.

BRUCE PRATHER: I mean, I'm just bringing it up because it's something---.

JIM KAISER: Right.

CRAIG ECKERT: Well, in the case of...in the case of that 2324, that's actually (inaudible) to the Berea. In this first example that we're going to be using, is just a shell lateral.

BRUCE PRATHER: Oh, okay.

CRAIG ECKERT: So, that well from the shell standpoint doesn't exist. It didn't benefit the shell.

BRUCE PRATHER: It's a Weir or Big line well, ain't it?

CRAIG ECKERT: Yes, it's Big Line Berea...yeah, Big Line Berea.

BENNY WAMPLER: Even though you're showing all of those various units as part of what you'd like to do down the road, today you're asking for one.

CRAIG ECKERT: For just one because that's all that we have...that's all that we have prepared at this time.

BENNY WAMPLER: Do you envision coming back to this Board with information on how that one worked before you asked for the others?

JIM KAISER: No, sir. We actually did file one for next month also.

CRAIG ECKERT: Uh-huh. We would...we would like--

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JIM KAISER: But---.

CRAIG ECKERT: ---the permission to drill two this year and then there may be some others by other companies as well.

BENNY WAMPLER: You had in one of your plan views, the horizontal lateral going all the way through the unit and you were drilling outside of the unit. Why would you do that?

CRAIG ECKERT: If we have a case where there's an existing location that's outside of the unit and if you look at this map, for example, you can see, I'll use number five as an example, where there is...there is an existing well location just to the north. With the distance...with the distance that lateral...with the distance that the curve is going to take you, you're already going to be coming to within that 300 foot set back by the time you land horizontally in your pay zones. Again, just, you know, referring to one of the...on the left there, referring to the distance that your curve takes you, if you start outside of the unit, it's still going to take you anywhere from...well, it could be as much as a 1,000 feet if you choose it to be. But, I mean, it's going to take you about 700 feet within that curve until you land into your

respective zone.

JIM KAISER: So, it would be to maximize the length of your lateral inside the interior window?

CRAIG ECKERT: It would be. And at the same time, make use of existing locations in the area.

JIM KAISER: Surface...minimal surface disturbance.

CRAIG ECKERT: Minimal surface disturbance.

BENNY WAMPLER: What do you think, Mr. Wilson?

BOB WILSON: One thing I would point out is that this thought process has evolved over a period of time, some of which I have been involved in or been made privy to the thinking, I guess. I might say that the first chore I think that they tried to attack was eliminating some of the problems that we had with current statewide spacing that Mr. Eckert mentioned whereas royalty owners are left out by the drill. Their objective, I think, was to determine a useable size of unit and figure a scheme whereby it could be made repeatable across the whole of the producing area if, in fact, field rules were warranted. The 320 acre units that are overlaying on the Roaring Fork Field, again, it has nothing to do with the Roaring Fork, it's just that they have used the same starting point basically to develop these 320s as they did to develop the 80s in the Roaring Fork. I

believe that the other operators are going to come in later on are basically working off this same grid. We'll see about that as we go alone. But the idea was to have something that was repeatable and something that did not leave royalty owners out. In Kentucky, they have mentioned their operations over there, basically, their units over there are ovals. It's very similar to our statewide spacing except that rather than being a circle it's an extended oval that, again, you can't stack them end to end and you're inevitably going to leave out royalty owners. The 320 are units are essentially the same. The situation that is being used in Arkansas to drill these similar wells and the, I believe, Barnett Shell equivalent is down there. I've talked to the guy who runs the program down there. They've had pretty good success with that. Basically, the same thing that's being requested here. That the unit is created. It pays everybody in the unit for every bit of gas that comes out of those horizontal holes. The operator makes a purely economic decision as to how many laterals to put in that...how many drill holes to put in that unit because he's paying all of the same people regardless and multiple laterals in the same formation and multiple laterals in different formations would be allowed under Arkansas rule. Again, it becomes probably more important

here than it is down there because the unit also gives them significant lead way as to where to place the surface locations to account for terrain problems and this sort of thing.

Insofar as where the surface location sits, the operators will still be required to notify all surface owners whose properties are affected. They don't have any rights given by the permit or anything like that. They still have to deal with the surface owners the same way they would under any circumstances with or without a field rule, with or without a provisional unit. So, I don't think it really affects that too much. I personally like the idea of being able to drill multiple wells off the same locations. It's something that I would like to see in some other types of operations as well. It was very consistent with our requirement to see that only as much of the surface of the land is used for those operations as is required for them. I certainly think that on a provisional basis with the idea that a few of these wells get drilled, they evaluate them and they come back to the Board with something other than just a square at the time and evaluate this particular method. There is, I'm convinced, a significant amount of gas being left in ground the way that it's being developed right now. I personally would support this sort of an

experiment.

BENNY WAMPLER: Well, I certainly think a grid type, I always have, is a lot better. You know, it's supposed to create in the pay zone. What about the 600 foot separation?

BOB WILSON: Again, I see that in this particular application as something that doesn't matter because of the lack of correlative rights issues.

BENNY WAMPLER: Right. I agree.

BOB WILSON: I think it's something that could be---.

BENNY WAMPLER: But suppose you had another operator right next to him?

BOB WILSON: An operator right next to him, I think we need some information that they don't have right now, but I think they can get with these particular units. I would---.

BENNY WAMPLER: That's the reason---.

BOB WILSON: I would think that that 600 foot separation and the 300 foot set backs would be something that would need to be supported by whatever data that they could bring back after drilling a couple of these. I...it's based, I'm sure, on the fact that every field rule that the

Board has authorized has used a 300 foot interior window including the conventional field...the Pilgrim's Knob Field. That has a 600 foot---.

BENNY WAMPLER: Right.

BOB WILSON: ---set back in 200 acre units.

BENNY WAMPLER: Right.

BOB WILSON: So, that's...that's where it has been everywhere.

BENNY WAMPLER: I'm sure. Yeah.

BOB WILSON: So, there's...I think that by starting their program in an area where there are no correlative rights issues, they, hopefully, will develop the information that we, the Board, are going to need to decide if or not that's a... that's adequate protection for adjacent royalty owners.

BENNY WAMPLER: That would be a concern I'd have---.

JIM KAISER: Sure.

BENNY WAMPLER: ---whether or not it is because you're going in an entirely different type of drilling here and fracing.

CRAIG ECKERT: One thing, if I may, that you brought earlier and that was that you thought that this might be an application for draining the remaining reserves

after a given horizon had been depleted by vertical wells. That is going to be a big application to this. I think just in an attempt to enable us to do that, I think in some cases we are going to have to snuggle up to some of the wells, you know, closer than maybe you would...it would be preferable to it if they weren't there. I mean, there could be situations where we'll be coming close to that 600 foot rule for optimal spacing of those laterals within the unit for total drainage of a given unit.

BENNY WAMPLER: Yeah, I'm...I'm...you know, quite frankly where I'm going, and I'll shut up, is that I'm wondering how long it's going to take us to get enough information if you're going in an area that doesn't already have a well in it?

CRAIG ECKERT: Well, I don't know if the first two wells is going to answer that question honestly.

BENNY WAMPLER: I understand. So, I mean, we're going to get that information back and we're still not going to know anything because you're going to...you may have done that with drilling one well for all I know. I'm not trying to be critical. I'm just simply saying, I don't know what...without having existing wells in there and knowing what that production has been over its life versus you going down and trying this technique what it tells me for any of

us for that matter.

CRAIG ECKERT: I don't know if I pointed this out earlier or not, but on your...on your map, the circular units are...I mean, all of the wells have that size of units if they're conventional wells. But the shaded in circular units are only those in this case that have completed the Devonian Shell. And since that's what this first lateral will be targeting, the purpose of having the circles around those wells is just to show...even though all of these wells are conventional wells, only the wells that have the circles around them completed the Devonian Shell.

BENNY WAMPLER: Right.

CRAIG ECKERT: Okay.

BENNY WAMPLER: And that's where you're going with this and that's what---.

CRAIG ECKERT: That's where we're going with this one.

BENNY WAMPLER: ---I was talking about. I don't---.

CRAIG ECKERT: Uh-huh.

BENNY WAMPLER: It would be hard for you to...if you just had the information from the number one unit and that was approved, it would be hard for you to show us that...it would be hard for you to even know---.

CRAIG ECKERT: Right. That...that is true.

BENNY WAMPLER: ---how that compares if you just drilled a well in there and didn't do anything else. You know, you may be able to compare it to what you have in the general area and do that. I don't know. But, I mean, to me, you know, the grid makes sense. The other, I don't know. Questions from members of the Board? I'll let somebody else fire away if you have any.

BRUCE PRATHER: Maybe what we should do would be let them drill the exploratory wells and then look at the results and see what we got down the road.

BENNY WAMPLER: I think before we go too far with it.

BRUCE PRATHER: We'd sure want to look at it. I mean, I realize what you guys are talking about. You own all the royalty in there and you don't...you don't have that problem. But I can see other operators who don't have blanket leases like this that they could come here and we could have a real problem if set up field rules allowing you to drill 600 foot from the well. I mean, that's...you know, and so we need to know that information. Is that 600 foot what it should be? Should it be 400 or should it be 800? I mean, it looks like we just arbitrarily picked the 600 from the 300 offsets on---.

CRAIG ECKERT: And that was...and that was used...that was a precedent that was set---.

BRUCE PRATHER: Right.

CRAIG ECKERT: ---in some of the other units---.

BENNY WAMPLER: Yeah.

BRUCE PRATHER: Right.

CRAIG ECKERT: ---around the state.

BENNY WAMPLER: Yeah, it makes sense to---.

BRUCE PRATHER: Sure.

BENNY WAMPLER: Okay. What else?

JIM KAISER: So, what...I want to get clear so that we'll know kind of where we're going with this if we get this approved, but your major concern then is the...would be in the case where you had...you didn't have one big 320 acre square, that there was only one lessor and one royalty owner in, but you had maybe two or three vertical wells and you had...they had different percentages in the vertical well then they're going to have in the horizontal well and that maybe by getting too close to the vertical bores that there would be some co-mingling and some uneven---.

BRUCE PRATHER: Thieving...thieving.

JIM KAISER: ---payment of the royalty. That's your main concern?

BENNY WAMPLER: Yes. Correlative rights is where we're---.

JIM KAISER: Yeah, okay.

BRUCE PRATHER: Yeah, that's where we're coming from.

BENNY WAMPLER: You know, I mean, that's our---.

JIM KAISER: You don't...I mean---.

BENNY WAMPLER: That's the Board's main---.

JIM KAISER: ---as to whether we drill vertically or horizontally, I mean, that's really the operator's risk.

BENNY WAMPLER: I don't care about that.

JIM KAISER: Okay. I thought maybe I heard that. So, I just wanted to clarify that that wasn't what I heard.

BRUCE PRATHER: Yeah.

BENNY WAMPLER: I'm looking at correlative rights protections here, you know.

JIM KAISER: Okay.

BENNY WAMPLER: We haven't talked about costs. I don't know if you know what you're projecting this is going to cost to do that. But if you got into areas where you had people---.

SHARON PIGEON: Wanting to participate.

BENNY WAMPLER: ---wanting to participate and those kinds of things.

JIM KAISER: And, again, I think you could...you know, you could certainly...I think it's possible and maybe...and hopefully the data will prove this after we get a couple of them drilled, but I think you could also kind of flip that and say that because you're producing gas that's not being produced by the vertical wells and the bores are getting into areas that the vertical bore and that frac cannot reach that the royalty owners actually benefit and are not at harm.

BENNY WAMPLER: I...I---.

JIM KAISER: So---.

BENNY WAMPLER: ---agree theoretically you could make that case.

JIM KAISER: So, I guess...is there any further questions?

BENNY WAMPLER: You know, what---.

JIM KAISER: And I guess our goal would be...I can't remember what we...even though I just filed it last Friday, it was kind of a wild day, I guess is the second one we filed, I guess, is the same situation. We don't have multiple royalty owners.

CRAIG ECKERT: It similar, I believe. The second one was this one right here.

JIM KAISER: And I know Pine Mountain's situation

is the same.

BENNY WAMPLER: I guess one thing, you know...my final concern is this. You know, you're asking us to right out front approve multiple wells in the unit and I don't know that...I'm little uncomfortable with that too right now until we know what we're doing.

CRAIG ECKERT: With the multiple wells in the unit?

BENNY WAMPLER: Yeah.

CRAIG ECKERT: But, again, it's...a 320 acre unit is clearly too big, we know that, for a single lateral and it would allow us to drill in multiple directions. Not to repeat what we went through earlier.

BENNY WAMPLER: Sure, I mean, I understand, you know, what you've laid out here. I'm just saying that, you know, when you get to...when you...you're really talking about an area that would typically have three wells in it as a general rule.

CRAIG ECKERT: Three vertical wells.

BENNY WAMPLER: Three vertical wells. You know, if you put four in here, how are you saving, you know, land disturbance and---?

JIM KAISER: Well, there would be multiple laterals and not multiple wells.

BENNY WAMPLER: No, he's not talking multiple wells.

CRAIG ECKERT: Well, they may be...they may be multiple boreholes, but they will be on the same location in many cases. I mean, we can't guarantee that they're all going to be in the same locations. But in many cases, they can be...they can utilize that same location.

BENNY WAMPLER: I didn't have a problem multiple laterals. But you're asking us to approve in your application, I'm in the wrong thing, multiple wells.

CRAIG ECKERT: That's true. In some cases, we will if we---.

BRUCE PRATHER: Mr. Chairman, could I ask a question?

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Why couldn't you drill your initial well, make your casing great big and then drill, instead of 4,000 foot laterals, maybe drill 2,000 foot laterals and maybe drill three or four of them off of one big well, you know---?

CRAIG ECKERT: We may...we may be able to do that. I mean, currently, the way our technology is evolving in our other states, we are drilling one vertical well running a lateral out of that one well---.

BRUCE PRATHER: Per that horizontal well.

CRAIG ECKERT: ---and then for the next lateral we're drilling another vertical well. But there are places around the world...around the country---.

BRUCE PRATHER: Yeah.

CRAIG ECKERT: ---where...what you're describing is the procedure.

BRUCE PRATHER: Right.

CRAIG ECKERT: We may evolve to that point. In some cases, I think that would make more sense.

BRUCE PRATHER: Yeah, I kind of agree with you.

CRAIG ECKERT: Yeah.

JIM KAISER: Yeah, the units in Kentucky actually, as Mr. Wilson referred to, I mean, they...the shape of those are actually what they...what I call them as popsicle sticks.

CRAIG ECKERT: Uh-huh.

JIM KAISER: I mean, that's what they look like.

CRAIG ECKERT: Uh-huh.

BRUCE PRATHER: Yeah.

BENNY WAMPLER: Mr. Wilson, does multiple wells bother you that they're...within this?

BOB WILSON: No, it doesn't bother me personally. No. No. And, again---.

BENNY WAMPLER: Even if they drill more than they would conventionally?

BOB WILSON: Excuse me?

BENNY WAMPLER: Even if they drilled more than they would conventionally? If you were buying into it, it would bother you, wouldn't it?

BOB WILSON: Well, yeah, if I was buying into it. I'm I going to get an election?

JIM KAISER: Well, we're not force pooling anybody here.

BENNY WAMPLER: Yeah, I understand. I know you're not here.

SHARON PIGEON: This time. This time.

BENNY WAMPLER: I know you're not here. I'm just talking about any precedent was set understand. I'm looking---.

JIM KAISER: Down the road, I understand.

BENNY WAMPLER: I mean, I like the concept.

JIM KAISER: Okay.

BENNY WAMPLER: I'm not trying to be critical of the concept.

JIM KAISER: Okay.

BOB WILSON: Yeah. The...again, I guess a lot of my comfort with it comes from having to talk to people who

are doing basically this same situation now and, you know, from a regulatory standpoint and not from a company's standpoint---.

BENNY WAMPLER: Right.

BOB WILSON: ---and it seems to have worked out well there because what's limiting filling one of these 320 acre things up with wells is their economics. These are very expensive wells to drill. They're not going to drill a single hole that they can't justify from the standpoint of production. So, I'm not really concerned with that personally.

BENNY WAMPLER: All right. Any other questions?

CRAIG ECKERT: I would just like to kind of reinforce what Mr. Wilson said and that was that we will only drill multiple wells where it is economically justified for us. What that means is that there are...without the drilling of those wells, there are likely reserves that will never be recovered. So, in the interest of the royalty owners, the payment of royalties based on the extraction of that gas or oil...gas, let's talk about, will never occur unless we efficiently drain those reservoirs. If this is in an particular case, the most efficient way to do that then it would make the most sense to use horizontal drilling in those cases.

BENNY WAMPLER: Any other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application for this particular unit be approved as submitted.

BENNY WAMPLER: Is there a motion?

(No audible response.)

BENNY WAMPLER: Hearing none, I guess, I'd ask what the pleasure of the Board would be.

(No audible response.)

BENNY WAMPLER: Let me ask you another highly technical question. Do you think that you could leave with two wells as a maximum on a provisional basis?

CRAIG ECKERT: On a provisional basis, I suppose we could. On a provisional basis, yes.

BENNY WAMPLER: I mean, that's all that we're being... that's all we could approve here would be provisional anyway.

CRAIG ECKERT: Uh-huh.

BENNY WAMPLER: How do you see that restricting your plan?

CRAIG ECKERT: Again, in areas where we have not yet developed the resource maybe to the extent where we have here, it may not be as efficient if we were only to be

limited to two wells. If there's...again, if there's a Raven Cliff Sand that would most efficiently be drained by horizontal and if there's a Berea that would be most efficiently drilled by horizontal and then the Devonian Shell that has never been drilled in that area, that would be most efficiently drilled using horizontals, then, that would exceed two. So, that would...I guess, that would be an example of one. I could see that preventing the most efficient way of extracting the resource in that case. But on a provisional basis, I think we could...we could accept that.

BRUCE PRATHER: What were your intentions for the rest of the year? Was you going to do two or three or four? What were you planning on?

CRAIG ECKERT: Well, for this year, we're only going to be looking at one lateral in each unit. We would have to, you know, go back and re-permit any additional wells that we would want to drill in any of these units even if they were all approved at this time.

BENNY WAMPLER: You were looking at one lateral all eight units this year?

CRAIG ECKERT: No.

JIM KAISER: No, no.

CRAIG ECKERT: No, this is only for one lateral in

the number one unit.

BENNY WAMPLER: Okay. Well, you just said "in these units". I just wondered.

CRAIG ECKERT: I'm sorry.

BENNY WAMPLER: That's okay. I wanted to---.

JIM KAISER: Well, for whatever it's worth, let me remind the Board that they have...this Board has on several other occasions approved larger units that for the drilling of horizontal CBM wells.

BENNY WAMPLER: I understand. I agree with that.

JIM KAISER: So, I mean, do you not understand it? What's the...what seems to be the problem?

BENNY WAMPLER: I've stated the only reason...concerns I have. I don't know---.

BRUCE PRATHER: Yeah, I think the correlative rights thing is the thing that bothers me more than anything. But the first well won't tell us anything, you've already bought the rights, because I assume these are the shell wells.

CRAIG ECKERT: That's correct.

BRUCE PRATHER: There's no shell well, number one. Number two, it comes pretty close, I'd say. 2,000 feet maybe or 1500. So, I just wondered what...from the benefit of the Board, what are we going to learn by the first two?

Maybe what we ought to do is do one of the other ones as the second one.

CRAIG ECKERT: I'm sorry?

BRUCE PRATHER: Do one of the other ones as the second one in which we are coming close to other wells because one of these days we're going to be asked to do this same thing in areas where the royalty is not controlled like this is. Until that 600 foot thing is resolved we could really have a problem with
our---.

JIM KAISER: So, what you're saying is, if we're going to do it, let's do it the way we want to in this application?

BRUCE PRATHER: Yeah. Although, I would like to see you go by one of those shell wells just to see. Do you understand what I'm talking about?

JIM KAISER: Uh-huh.

BRUCE PRATHER: Okay. As a second...I mean, that 2363 is the shell well. That 2240 is probably a Weir well and Big Line maybe and, then, you've got yours. So, you're in between two of them. Number one, the way that lateral is coming out there, it doesn't do anything for us as far as our correlative rights problem which may or may not be a problem. We just don't know.

JIM KAISER: These are provisional units. So, I think your point is, in order for us to develop the data that we need to decide how to do it on a permanent basis, this may be the best way to go about it?

BENNY WAMPLER: Any other questions that the Board has?

(No audible response.)

JERRY GRANTHAM: Can I make a comment at this point?

BENNY WAMPLER: Sure. State your name for the record.

JERRY GRANTHAM: My name is Jerry Grantham. I'm with Pine Mountain Oil and Gas. First off, I'd like to say we're going to be coming before the Board with a similar proposal and that's the reason I thought that I would get up and say something at this point. We're fully supportive of Equitable's proposal even though we don't have a vested interest. Even though we don't have a vested interest in their proposal, as you'll see when we come before the Board we'll have a very similar proposal to drill a horizontal on a 320 acre unit also. Ours will be actually at the Nora and not at Roaring Fork. That's probably the one difference. But other than that, it's a very similar proposal. You know, one of the...some of the things that I'm hearing are

the concern of maybe multiple laterals, two or three laterals in the shell and maybe the Berea is a target. That was sort of the concept here was that we make a big unit that you could drill these multiple wells and test these ideas here in Virginia, much like they're being done in various other states and very successfully. I'll talk a little bit more about that. I understand the concern that maybe you're saying, well, you could have more wells than you would vertically. I think that I understand that concern. One of the things that you were saying, well, could you limit it to two wells per unit? I think our proposal and one of the things that Craig talked about was the idea of clustering wells. Admittedly, at this point, the lateral...when we drill down vertically and go horizontal, if we're going to drill another well, at least right now we probably will come back up and move the rig and drill. We won't try and do multiple completions in one vertical hole. That can be done. It's being done in the Gulf Coast and it's being done in a lot of other areas, but it's a lot more complicated. What I would envision that we would do in most cases would be to move the rig a very, very limited distance away from the original hole, you know, less than a 100 feet with the idea that you would have both of those producing wellheads almost side by side. I mean, in

some instances they could be 30 or 40 feet apart. It's called skidding the rig. It's a totally different permit process and a totally different well, but effectively it's like having one well there. The reason for that is is because the surface disturbance is all in one area. The coal disturbance is all in one area. You know, we're sort of putting a bunch of soda straws through a very small opening in a Coke can. If the Board is going to rule that maybe we're limited on the number of wells that we can drill in the unit, I might propose that that limitation exclude any well bores that are drilled within maybe a 100 foot radius of the origin well that's drilled in that area. In other words, if you...if you cluster all of your wells together you don't get penalized. But if you drill one here and you go all the way to the opposite side of the unit and drill another surface, then, you know, I understand that argument. But if we're trying to put everything in one area, we minimize impact on coal, we minimize surface, all of our infrastructure is going to the same very small local, effectively it's one well. I just wanted to make that argument or comment, I suppose.

BENNY WAMPLER: Thank you. Any questions to that statement from members of the Board?

BRUCE PRATHER: I think we should try one or two

and see what happens. What do you think?

BENNY WAMPLER: I just have to have it in the form of a motion.

BRUCE PRATHER: Okay. I make the motion that we approve one and two with---.

BENNY WAMPLER: Well, we only have one before us right now.

BRUCE PRATHER: One before us, okay.

BENNY WAMPLER: I'm sorry. Number one.

BRUCE PRATHER: And that since it is a first time around on this thing, that we should be privy to all information particularly regarding where these holes end up, how long they are in the objective formation and, you know, just get some idea as to...because I've done directional holes, but whether this works...

BENNY WAMPLER: As I understand the motion, for clarification, it's in number one...create the number one unit and allow the application as presented with multiple wells with them providing the Board detailed information about that. Is that correct?

BRUCE PRATHER: Correct.

BENNY WAMPLER: Is that a correct summary?

BRUCE PRATHER: Yeah.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: Okay, you have approval. Thank you.

JIM KAISER: Thank you.

CRAIG ECKERT: Thank you.

BENNY WAMPLER: Next is a petition from Pine Mountain Oil and Gas, Inc. for establishment of 320 acre conventional unit for drilling of horizontal wells, docket number VGOB-07-0918-2033. We'd ask the parties that wish to address the Board in this matter to come forward.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser and Jerry Grantham on behalf of Pine Mountain Oil and Gas. Jerry has got some handouts for you.

(Jerry Grantham passes out exhibits.)

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Jerry Grantham. I'm employed by Pine Mountain Oil and Gas and I'm vice president.

Q. Now, in this particular unit that we're attempting to form here today for purposes of drilling horizontal well, we'd refer the Board to their...what we call our well location plat. There are actually parts of four different tracts that make up the 320 acre unit, correct?

A. That's correct.

Q. And each of those...in each of those four tracts, the oil and gas is owned in total by Pine Mountain Oil and Gas, correct?

A. That is correct.

Q. Okay. So---?

BENNY WAMPLER: You're talking from Exhibit A, right?

JIM KAISER: Yes, sir.

BENNY WAMPLER: Okay. I'm just trying to---.

JIM KAISER: I'm sorry. Exhibit A and then B is everybody we noticed and then what he passed out we'll go C, D and E.

BENNY WAMPLER: Right.

Q. So, in this particular case, even though we concede that there are...well, here's one...is there just one vertical...two vertical units.

A. There's one...one vertical, yeah.

Q. Just one?

A. Uh-huh.

Q. Just one vertical unit in the---?

A. That's correct.

Q. ---proposed 320 acre unit? It's all 100% Pine Mountain Oil and Gas...Oil and Gas?

A. That's is correct.

Q. Okay. So, there's no royalty issues and no correlative rights issues in this particular case. I know that a lot of your testimony, because we've sort of pre-tried these things, is going to mirror Mr. Eckert's testimony. But if you want to just...I know you've got some, I think, valuable additional points that you wanted to make. If you just wanted to go through to your proposal and your exhibits and then, you know, make any additional comments you have and then we'll again entertain questions, I guess.

A. Well, certainly, Mr. Eckert did a very good job in presenting the horizontal concept what we or

Equitable and I believe Pine Mountain also believe the application is here in Virginia. And, you know, I don't want to go through that big of a presentation. I don't think you want to see it again and would like to incorporate, I guess, any of his testimony or all of his testimony into my presentation. Our proposals are basically identical. We are proposing to form a 320 acre horizontal unit. The proposal would incorporate a 300 foot interior window with 600 foot standoff from the adjacent grids, which may have horizontal well bores. The one difference between their proposal and ours is that, of course, we're in the Nora Field with this proposal. So, we are not coincident with any 80 acre CBM grid because we do not have an 80 acre CBM grid. We have a 60 acre grid. But in discussions between our companies and with Mr. Wilson's input, we felt like being consistent on a unit size was probably a more important way to approach this on these provisional units. So, that was one reason we also went with a 320 acre unit. Probably more importantly is the fact that, and some of Mr. Eckert testimony showed this is that if you go from corner to corner in these provisional units and excluding the 300 foot window, you can achieve a potential lateral length...a horizontal. It's about 4300 feet. That's very important because at least in the Appalachian Basin as Mr. Eckert

discussed, that's sort of what's being done in some of the adjacent states and they're seeing these lateral lengths in that 4,000 foot range. So, we felt like that was the maximum that we get kiddy corner to kiddy corner. It would be less if you went directly across the unit or in the north south direction. But, again, that was supportive of the 320 acre unit.

We also propose for the allowance of multiple well bores both within a formation. For example, if we want to drill three laterals in the shell, then that can be done within the unit or in multiple horizons. That's what Exhibit C shows. This is an exhibit very similar to what Mr. Eckert showed. Here, again, the black represents the vertical part of the well. The red is...the red represents where the well turns from vertical to horizontal and then goes through the formation. So, in some instances, it's possible to have a horizontal in the Devonian Shell, one in the Berea and one in the Raven Cliff. We think all of these reservoirs may have horizontal potential in them. We don't know yet. As far as I know, there have been no horizontals...conventional wells drilled in Virginia. Is that right, Mr. Wilson?

BOB WILSON: That's correct.

A. Yeah, to-date. So, part of this is we're

learning...you know, we certainly have put a lot of science to this, geological engineering, in trying to understand this and take things that are working in other areas and other parts of the country and trying to apply them here. That's sort of what we're presenting today. I think...getting back to, you know, multiple well bores in the units, if we can...and I'm not saying this would be done in all instances, but it's in our best interest economically to put all of these well bores in one surface location. You all know as well as anybody, how difficult training is out here and coal issues. All of these are issues. So, if we can put all of these soda straws over in one area, it makes sense for us to do that too. That's certainly, you know, the approach that we would move forward on.

Just talking a little bit about the history of horizontals, horizontals have been around for, gosh, twenty or maybe twenty-five years. They have been used all over the country. I've been involved in them in Michigan pretty extensively in actual shell reservoirs, carbonates and sandstones where they've been used effectively. Probably the poster child for horizontal drilling, as Mr. Wilson referred to it is the Barnett Shell in Texas. That particular play is a shell very similar to our Devonian Shell. I think it's safe to say ten years ago, there were

very few horizontals in that play. It was all vertical wells like we do here in Virginia. People tried to make it work and did different things and tried new things. They could just never get the economics to work because they couldn't get enough gas out. They started these horizontals and there is a learning curve. I mean, we aren't going to go out and the first ones are going to be...work great. That's one thing that concerns me a little bit about, you know, bringing results back. I mean, we certainly would share all of our results with the Board, but we have to realize that probably one well is not a good test. In my mind, two wells aren't a good test. It's going to take five or six or, you know...before we really figure this thing out. That's how it worked in the Barnett. Now, that that play is the...I believe it's the biggest producing gas play in the U. S. and they're producing over 500 million cubic feet a day. It's enormous. So, it's a success story. Technology was applied at work. What has happened since that, even though that play is real active, is that people have worked at sort of analog type of plays around the country. Where can we go do this? Certainly, in the Fayetteville Shell, which is the Arkansas play, Oklahoma and Alabama and Northern Appalachian Basin and down here in Virginia and Equitable and other operators have at least

from the press releases, the public information that I've seen have been successful in Kentucky and West Virginia doing these horizontals. So, we think it has a lot of application.

If we look at my next exhibit, again, this is sort of getting back to a question Mr. Chairman that I think you had. How many verticals do you have? And three...three vertical units would be 336 acres. Of course, we're one unit 320. We think that the horizontals and what we've seen in these other areas will much, much more effectively drain these type of reservoirs than the vertical wells. We think that not only will you see more effective drainage, but you'll get the gas out quicker. In fact some...some of the things that we see in these other areas are flow rates that are five to ten times a vertical well. So...I mean, it can be in some cases very, very substantial increases in production. We think that's going to decrease waste. We aren't going to leave the gas in the ground.

Mr. Eckert talked about the use over in Kentucky. They are drilling a more depleted reservoir over there. I personally feel like our reservoirs here in Virginia may actually be better candidates because they aren't depleted. I don't...I don't think this is necessarily a last gas effort or something like that. I mean, in the Barnett

Shell, this is all they drill anymore in areas that are...have never produced. So, in some ways, I think our potential here may be even greater than in Kentucky because our...most of our reservoirs, particularly our shell, is not depleted. So, we see it as basically decreasing waste by increasing the recovery of the gas. I think the square unit, you know, what it does is it doesn't leave these areas that are those little stranded areas. I mean this is a perfect case scenario for vertical. That's as good as you're going to get it. Of course, we know that doesn't always happen because of surface issues or other things. We're going to do away with all of that and we're going to protect the correlative rights of all of those individuals who...you know, if you happen to own that 5 acre tract right here you weren't in the well. Really, one of the important...most important things is, I think it has the potential to...to have less surface and less coal disturbance because everything we're doing once we drill that one hole or if it's a pod of hole together, everything we do beyond that is underneath the ground. We're drilling, you know, 4,000 feet underneath the ground where hopefully it's bothering anybody. So, I really see it as a win/win. You know, we could see substantial increase in flow rates, which is a benefit to the royalty owners, state in severance

and certainly us working interest owners. These are expensive propositions. Horizontals are not cheap to drill. But if they work, the economics can be attractable and that's why our company, Pine Mountain, is looking at this option here in Virginia.

BENNY WAMPLER: What about your lease positions around this unit?

JERRY GRANTHAM: Without looking at this specifically, but we own most of the acreage around this. I think as we go further to the west we get off Pine Mountain acreage. I think that's another important point. You probably know Pine Mountain's history that our roots go back to a coal company who owned a lot of this acreage and now we have all the rights to develop the gas. We actually owned over 200,000 acres in minerals primarily in Dickenson, Buchanan, Russell and Wise Counties. So, in this type of instance where we're drilling solely on our own acreage and we have a partner in that who has an equal interest to us, in my opinion, I see no correlative rights issues whether we're drilling, you know, 600 feet from a vertical or if we're drilling 10 feet from that well. I mean, could it affect that well, certainly it could? But at the end of the day, if all the parties agree to that, there are no correlative rights issues, in my opinion.

BRUCE PRATHER: That's right.

JERRY GRANTHAM: Yeah. So, I understand, you know, moving forward to try and maybe look at how...how would this ultimately be done a larger scale basis. I think that's an important way to look at it because hopefully we have to address that issue. Hopefully, we're successful in what we do.

The other side of that is Pine Mountain is in a situation where we could go drill a vast number of these wells, horizontal units like the one proposed here today and it would be a 100% on our acreage and there would be no correlative rights issues.

BRUCE PRATHER: Mr. Chairman, could I ask a question?

BENNY WAMPLER: Yeah, sure.

BRUCE PRATHER: Jerry, see the big difference between the Nora and Roaring Fork is the Nora really hasn't been developed in the Devonian Shell like the Roaring Fork has. So, basically, what it amounts to is that, you know, if you wanted to drill only shell wells over there, there would be no...you know, there would be absolutely no problem with it because most of the wells that have been drilled down in the Cleveland and that's it, over in where you're at. But see over in the Roaring Fork it's different. Those

wells have all been completed out of the shell.

JERRY GRANTHAM: Correct.

BRUCE PRATHER: And so we've got...I mean, there's a little problem over there that you won't---.

JERRY GRANTHAM: We don't necessarily have.

BRUCE PRATHER: Yeah. See, you don't have. So, you know...so, I can understand that. So, as far as I'm concerned, you know, if you wanted to drill three wells off of one location and you went out in the Raven Cliff and the Berea, that's fine. I mean, I have no problems with that. The problem I had with them and I hope I got everybody thinking about is the fact that we're not...one of these days we're not going to be in the position to where people own all the royalty around these things and we need to know how close to get to those wells that are pre-existing to these things. I mean, it's just...I mean, that's the way I feel about it. But you don't have that problem as much as the Roaring Fork.

JERRY GRANTHAM: As much. We still have...certainly have adverse tracts within our property boundary that---.

BRUCE PRATHER: Yeah, right.

JERRY GRANTHAM: ---we would have that type of issue on.

BRUCE PRATHER: Yeah.

JERRY GRANTHAM: But they are the exception rather than the rule.

BRUCE PRATHER: Right.

JERRY GRANTHAM: Yes.

BRUCE PRATHER: Right.

BENNY WAMPLER: Other questions or comments from members of the Board?

JIM KAISER: And we understand that the Board's charge is...I would say, probably primary charge, is to protect correlative rights and I respect that and I understand that completely. But, I mean, it's...these people are going to be noticed in these situations when this occurs. You're going to continue to see these applications come before the Board. There's going to be at least one additional operator doing it. I think there has been an unprecedent cooperation on this concept between sharing ideas and information between operators that you've never seen in this state before and it may be that it will be the operator's job to get those royalty owners to come here to this hearing and sell them on the idea that anyway you look at this it's going to...you're going to be better off. I think that is a very plausible possibility, just in closing. I mean, I understand and respect that it's you all are

charged to protect the correlative rights. But what I'm saying is, by protecting them, depending on what kind of data we get, you may not be protecting them.

BENNY WAMPLER: Well, too, understand that we have an obligation to make sure we understand what's going on too---.

JIM KAISER: Right. I understand.

JERRY GRANTHAM: Absolutely.

JIM KAISER: Yeah.

BENNY WAMPLER: ---in order to be able to protect it.

JIM KAISER: Right.

BENNY WAMPLER: Sometimes that's the hardest part of it is to get the information---.

JIM KAISER: Well, something new like this certainly, yeah.

BENNY WAMPLER: ---that will allow you to understand it and that's why we exercised caution about those kinds of things. Other questions or comments from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that this application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: I'll make a motion that we approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

JIM KAISER: Thank you.

JERRY GRANTHAM: Thank you.

BENNY WAMPLER: Okay, the minutes from the last meeting. I'll entertain a motion for approval or any correction.

PEGGY BARBAR: Motion to approve.

BENNY WAMPLER: Is there a second?

KATIE DYE: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: They are approved. We're at the public comment period. We'll entertain any public comment at this point.

JERRY GRANTHAM: I've got a very quick public comment. Actually, Ms. Pigeon asked me to briefly talk about...and I'll be very brief, about a fact sheet that I handed out today for the Virginia Oil and Gas Association. My name is Jerry Grantham and I'm vice president of VOGA. I don't have one of those...I think I gave all of those out. The Virginia Oil and Gas Association has really tried to be a lot more proactive in trying to educate everybody about the oil and gas production in Virginia. We have a great resource here. It's primarily gas. The coalbed methane is one of the best coalbed methane plays east of the Mississippi. It is. Virginia is the best coalbed methane play in the Appalachian Basin, second only to the Black Warrior. It is something that I think...you know, I certainly recognize, but I feel like we've done a poor job of tooting our own horn because we've got a good story to tell. We're producing a resource that is basically produced on one end of the state and transported to the other side of the state and virtually people don't even realize it because it's all done underground. It's not

being trucked around. It's not being railed around. You know, the production keeps growing. Bob provides the figures for us every year and the production is very impressive. What we've tried to do is sort of outline some of the benefits of what we're doing because we think we are providing a lot of benefits both locally and to the State of Virginia in severance and a resource that's being, hopefully, used somewhat here in the State. We now can actually produce enough natural gas here in Virginia to supply all of the residential use. Not all of our gas use. Actually, all of our gas use is about twice what we produce. But right now we can supply all of the residential use or what you're burning in your house. Now, realistically, a lot of that gas moves on through and goes out of the State. But I think there's something to be said for home grown and being able to be somewhat self efficient. So, what we've done is just provided this very brief two page summary on some of the benefits of natural gas, particularly here in Virginia and plan to update this soon with some of the newer numbers and I think Bob will help us with some of those. We will certainly get you updated copies of that periodically. Thank you.

BENNY WAMPLER: Thank you...thank you.

JIM KAISER: Hopefully, we'll see all of you on

the 16th.

BENNY WAMPLER: I encourage the Board members to attend. It would be a good opportunity. Any other public comments?

(No audible response.)

BENNY WAMPLER: Mr. Wilson, do you have anything before we close?

BOB WILSON: No, sir.

BENNY WAMPLER: This hearing is closed. Thank you.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 5th day of October, 2007.

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_____NOTARY PUBLIC

My commission expires: August 31, 2009.