

IN THE COUNTY OF WASHINGTON:

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

MAY 12, 2009

APPEARANCES:

BOARD MEMBERS:

PEGGY BARBER - PUBLIC MEMBER
KATIE DYE - PUBLIC MEMBER
BRUCE PRATHER - OIL REPRESENTATIVE

CHAIRMAN:

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BUTCH LAMBERT: Good morning. Welcome to our new facilities for our Board meetings. We hope this works out all right. Can everyone hear me okay? We have microphones, but if you can hear us we'd rather not use those things. Can everybody hear okay?

(Everyone indicates in the affirmative.)

BUTCH LAMBERT: Okay, thanks. I'd like to remind you that if you have cell phones or pages to please turn those off or turn them to vibrate. If you must take a call, please go outside and do that. We would appreciate it. Since we are recording these, we need less distractions as we possibly can have. We'll begin this morning with public comments. But before we do that, let me take a second to let the Board introduce themselves. I'll begin with Ms. Barber. PEGGY BARBER: Peggy Barber, Dean of Engineering at Southwest Virginia Community College, a public member.

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

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

BUTCH LAMBERT: I'm Butch Lambert with the Department of Mines, Minerals and Energy.

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

DAVID ASBURY: Good morning, David Asbury. I'm the Director of the Division of Gas and Oil and Principle Executive to the Staff of the Board.

BUTCH LAMBERT: Thank you. If you've had a chance to look at our docket this morning, you'll see that unlike last month, we only have thirty items on the agenda...or twenty-nine, whereas last month we had seventy. So, we'll be able to allow a little additional time this morning for public comment period. So, the first...I guess the only person we have is Ms. Jewell.

KATIE DYE: My comments are on the procedural rule, which is under consideration. I think it's number two on the docket. So, that's where I direct my comments to. Apparently, this was recently discovered in the Office of the Attorney General. There's a current to attempt to resurrect it.

First I would like to applaud DMME, DGO and the Office of the Attorney General for their newly acquired interest in the history of Gas and Oil in the Commonwealth. No doubt the attorney for the gas company, OXY USA (now CNX) who authored this motion, was instrumental in directing the recovery efforts. I hope that one day that the archaeological excavations will uncover the historical statutes, regulations and pooling orders that I requested

ten months ago.

I find this serendipitous discovery very timely and the intention of resurrecting it at this point in time not only obvious but disturbing.

For the five year period from January, 2003 through December of 2007, 787 petitions were submitted for the forced pooling of gas and coalbed methane interest. The Gas and Oil Board approved every one of them. In many, the well was already permitted and producing before the operator got around to applying for pooling. The reason why so few gas owners show up to object to being force pooled is that they are well aware that this a rubber stamp process. In many cases, additional wells have been added to coalbed methane unit and the unit were never repooled so that unleased owners never received an opportunity to object or make an election. I could be wrong, but the actions of the Board in considering force pooling applications suggest that is it not concerned with protecting correlative rights or recognizing and protecting the rights of gas owners with interest in the same pool, but more geared towards encouraging and promoting gas development by selective operators.

The historic procedural rule the Board is being asked to reconsider would require the applicant submit a

signed consent to stimulation as required by Section 45.1-361.29.F.2 with his application for forced pooling in coalbed methane units where there is conflict of interest only. The approval of a forced pooling application does not assign the operator a permit to drill a well or to conduct any ground disturbing activities for a well, gathering pipelines, geophysical exploration or associated facilities. The DGO oversees the issuance of permits and not the Board. In making their decision the DGO must consider a number of factors in addition to consent to stimulate. Yet the 1991 Board that approved this motion was only concerned with requiring consent from the coal operator and only for application for forced pooling of coalbed methane where conflicting claims exist. This is in itself is very interesting. There is a statutory process in place that affords affected surface and mineral owners including coal operators the right to object to applications and a process by which aggrieved parties can appeal an adverse decision.

In 1990, when this motion was crafter, 361.29.F stated: "Every permit application for a coalbed methane well shall include: 2. A signed consent (which shall be contained in a lease or other such agreement or instrument of title) from the coal operator of each seam which is located 750 feet of the proposed well location which the applicant

proposes to stimulate or (ii) which is within 100 vertical feet or below a coal bearing stratum which the applicant proposes to stimulate."

The obvious intent of this requirement was to protect the safety of miners. In '95, 361.21 and .29 of the Act were changed to give the Board the authority to consent where the coal operator for seams could not be located. In '97, .29.F.2 was again amended to the following language: "The consent required by this section shall be deemed to be granted for any tract where title to the coal is held by multiple owners if the applicant has obtained consent to stimulate from the co-tenants holding majority interest in the tract and none of the coal co-tenants has leased the tract for coal development."

Since in both of these situations, authorization by the Board is required for a well permit to be issued, pooling would have to be approved prior to approval of the well permit application.

The Gas and Oil Act of 1990 and subsequent amendments afforded both the gas and coal owner the right to extract their respective minerals in such a manner as to cause minimal damage to the extractability of all resources and to the surface. The Act is very clear that the major concern with drilling and well location is to protect the

safety of miners, which is why restrictions are placed on how close a well can be located in relationship to current mining and how close mining can be done in relationship to a well. The coal owners have the right to object with respect to the potential operator to affect the adverse of safety of miners or the recovery of coal. The language of the Act and subsequent amendments clearly emphasize the goal is to protect the safety of miners and to allow safe recovery of coal. Chapter 14.2, the Coal Miner Safety Act, Title 45.1 defines an operator as "any person who operators, controls or supervises a mine or any independent contractor performing services or construction at such mine." So the question here is where is the mine and who are the miners that justify Island Creek's withholding of consent to stimulate from one company (GeoMet) that intends to drill only one well in each unit for an estimated cost of \$494,00 to recover an estimated 936 MMCF (based on scientific testing) from the unit and giving consent to another company (Appalachian Energy) that intends to drill two wells at an estimated cost of \$418,000 to recover an estimated 250 MMCF from the unit.

The phrase "arbitrary and capricious" and "monopolistic business practices" come to mind. Since Island Creek has not presented any plans for the mining of

their leased coal seams in the area where GeoMet is proposing the wells, one has to assume that they have none.

As everyone in this room is aware, the 1991 procedural rule has nothing to do with the effects of stimulation on the mineability of the coal or the safety of miners. The motion presents no evidence that fracing the coal seams decreases its mineability nor that fracing in an area where there is no active underground mines creates mine safety issues: Nor has Island Creek presented any testimony relating to this. In fact, a study conducted by the Bureau of Mines, "The Effect of Stimulation treatments on Coalbeds and Surrounding Strata: Evidence from Underground Observations" concluded that twenty-two government-sponsored stimulation treatments that were mined through, no adverse mining conditions were encountered that could attributed to stimulations.

The actual operational costs borne by the coal operator in removing the methane from the mines in advance of mining and during mining ensures the safety of miners is substantial. It's one of the highest costs involved in mining is removing the methane. According the EPA's "Guidebook on Coalbed Methane Drainage for Underground Coal Mines", which was edited by the Dr. Thakur of Consol, some fo the many benefits to coal operations by removing coalbed

methane in advance to mining is reduced ventilation costs, downtime, production costs, shaft development costs and water problems and increased coal tonnage and safety. Now, given the positive externalities provided to the coal operator and the fact that the law allows the coal owner to have substantial input on the location of these wells, one would expect the coal operator to be graceful to the coalbed methane operator: Especially when there are no current plans to mine the coal.

It is interesting that in the consent to stimulation statement of no objection to unit designation of forced pooling signed by Consolidation Coal and Island Creek, that are on file in CNX applications clearly state for the record that these companies have no objection to the stimulation of coal seams that they control in the Oakwood Coal Gas Field/Nora/Middle Ridge Gas Fields, to forced pooling or applications or variances or the location of multiple wells in the unit.

Now, Island Creek, the coal owner, has leased much of the coal below the Tiller seam coal in this area since the 1950s and the 1970s, only a small portion has ever been mined. These leases essentially tied up the majority of the property in this area for decades. Island Creek apparently feels it does not have a duty or obligation to actually mine

the coal but is content to sit on the leases in order to prevent coal companies from actually mining it. The last actual mining conducted by the company was around two decades ago and the only permits on file are reclamations. The fact that Island Creek has consented to location of wells, fracing of coal, increased well density in a blanket format would suggest 1) That Island Creek does not have a mining plan in the foreseeable future; 2) That the effect of coalbed methane operations on mine safety are not a major concern when there is no active mining in the area; and 3) That the stimulation of coal seams in order to remove the methane, has no adverse effects on the integrity, value, or recovery of the coal.

That said it is important to consider that Island Creek only has the below Tiller seam coal lease. They do have control over the Tiller seam and those above it. Those seams are generally more mineable than the ones Island Creek controls. With the exception of large tracts, most of the seams are not under lease, so there is no coal operator, however, there is a coal owner. In the presence of a gas well, if it's conventional well or coalbed methane well, does affect the mineability of mineable coal by restricting coal mining to within 200 feet of the well and by placement of infrastructure, pipelines and power lines on the surface.

Last year, I gave you all a handout of an article that showed just that. This would be of particular concern to the owner of a fee tract or owners of all the minerals under a tract which has mineable coal. If the owner does negotiate an oil and gas coalbed methane lease, he needs to do it in a manner that will not interfere with the recovery of the far more valuable and mineable coal, that is Tiller seam and above. Where the coal estate has been severed from the fee tract, the severance deed reserves to the owner the right to extract gas, oil and other minerals. In order to extract the oil, gas or coalbed methane, one has to drill through the coal seams much as to access a coal one has to often enter the surface estate. Likewise, where the Lessor owns a tract in fee simple or owns all of the minerals, the coal lease reserves to him the right to extract other minerals.

Now, in March 2004, the Supreme Court of Virginia rendered a decision affirming the 2002 decision of the Circuit Court of Buchanan County in the Ratliff v. Harrison-Wyatt case. The Court held that the title to the coalbed methane did not pass to the coal owner, and that the trial Court did not error in the holding that the coalbed methane is owned by the plaintiffs and the plaintiff are entitled to a distribution of royalties in escrow. The severance deeds

contained the language "all the coal in, upon, and underlying" the tracts. Subsequent declaratory judgments from the Circuit Courts have concluded that Pine Mountain...have concluded that where the severance was for coal only, the owner of the gas estate is the owner of the coalbed methane. The DMME/DGO and this Board have apparently forgotten this and continues to escrow payments as conflicting claims where the coal only was severed. They have also apparently forgotten that they are charged with making decisions that would maximize the recovery of coal, oil and gas that would limit the use of the surface and that which is reasonably necessary to obtain the gas and oil and that would protect the correlative rights.

The attempt to resurrect this 1991 procedural is one of many attempts by CNX, their predecessors and affiliates to prevent competition from other companies interested in operating coalbed methane wells in SWVA. In this case, GeoMet. CNX Gas and Island Creek are subsidiaries of Consol. I believe that it was not that long ago before Appalachian Energy and its predecessor, Virginia Gas, found itself in the same situation with CNX Gas and its predecessors. Appalachian chose to enter into a Joint Operating Agreement with respect to the leases in this area.

As previously noted by controlling competition

through regulations and decrees like this motion; by signing off on force pooling applications submitted by companies with most favored status regardless of the wishes of the owners; by changing pooling without any substantial evidence to support the change; by failing to provide any oversight of the payments to gas owners whose property has been essentially seized by the board and given to the gas company to produce. This Board and its predecessors have been able to control entry into the field and the conditions and leases, you in essence, pick the payers and the prices.

Now, if you look at who operates coalbed methane in Southwest Virginia you will see that it's essentially two groups, Equitable Production Company, who has agreements with Range Resources-Pine, and CNX, who has agreement with Appalachian. There are two wells that are no operated by those groups. You will also so that its where Island Creek and Consol has property or leases in one area and that's where CNX operates, Alpha Natural Resources and other coal companies have it and that's where Equitable operates.

DMME and DGO and certain members of this Board and their predecessors have selectively chosen what part in the Gas and Oil Act they wish to uphold and what part they wish to modify and what part they wish to ignore. Mr. Prather's job is to represent the interest of the gas and oil industry

and selective members. Mr. Ratliff's job is to represent the interest of the coal industry; as such, increased density should concern him. Ms. Quillen, Mr. Harris, Mrs. Dye and Mrs. Barber's jobs are to represent the public. Mr. Lambert's job is to represent the interest of the Commonwealth. Ms. Pigeon's job is advisory only. Thank you.

BUTCH LAMBERT: Thank you, Ms. Jewell. Any others wishing to speak at public comment?

TOM MULLINS: Are you going to receive comments on agenda item number two?

BUTCH LAMBERT: Yes, sir, Mr. Mullins. If you have comments, we'll take those.

TOM MULLINS: Also, I anticipate submitting some written comments as well.

BUTCH LAMBERT: That will be fine.

(Ms. Jewell passes out an exhibit.)

TOM MULLINS: Mr. Chairman, there's only two people in the room that I can remember that were here when the procedural rule identified in agenda item number two was initially proposed and argued and that's Mr. Swartz and myself. Historically, the Board at that time had just been formed and was operating under emergency regulations. They had not adopted any regulatory scheme formerly yet. We had

a situation where our office represented Edwards and Harding Petroleum Company and Mr. Swartz and Mr. Counts, if I'm not mistaken, represented OXY USA and Island Creek. Edwards and Harding submitted applications for pooling, which were opposed by OXY and Island Creek. The matters were continued from August and September and in October, OXY USA, not the Board, submitted a motion and they called it a procedural rule. That was their term. It was not this Board's term. For the adoption of a procedural rule that would require the submission of a consent to stimulate with a pooling application. That was heard in November of 1990. A presentation was made by several gas operators including OXY. Island Creek and Consol made a presentation. Edwards and Harding, Cabot and I think Equitable may have made a presentation at that time, if I'm not mistaken. One of the things that is very interesting is at that presentation there were some representations of what actual legislatures had said about the act. One of the things that is important is that the presentation was made that the legislatures considered requiring a consent to stimulate provision in the pooling statute and rejected it.

One of the other considerations that was made at that time was that this particular rule reads out of the statute the ability of an operator to have a consent to

stimulate in a title document. It removes that ability and you cannot be a operator named by this Board even if you have a consent in a title document if this rule is adopted. That rule was adopted in November right after the presentation was made. It was appealed as soon as it was enacted by the Board. It was appealed to the Circuit Court. I'm the very fellow that did that. It stayed on appeal for about a year and a half. During that period of time, this Board adopted its permanent regulations in October of 1991 and did not include this provision. It abandoned its prior regulations and under the APA a rule is equivalent to a regulation. It's a defined term.

So, this Board abandoned that procedural rule when it adopted its formal regulations in October of '91. It has not been applied since that time for that...and I submit for that reason. In fact, in eighteen years of interpretation of the statute by this Board. It's contrary to this rule.

Secondly, this rule is a not a procedural rule. It's a substantive rule. It creates an additional burden of proof. Because of that creation of an additional burden of proof, it's not the timely when you file and where you file, it's what you have to prove. It's an element of getting your relief. Because of that, formal rule making procedures have to be followed, which have not been done for this rule.

Under the APA, there are specific requirements for adopting a new rule or regulation, which have not been done. So, the Board if it's to entertain and adopt this rule must go through the comment period and it must go through the formal APA requirements for adopting a reg. I think there's an opinion of the Attorney General that I intend to cite in written comments to that effect.

One of the other affects of a rule of this nature is to delegate the Board's authority to a coal operator. The presentation that was made in 1990 included the recitation of comments of legislatures that a consent to stimulate was not meant to be operator specific. This Board was not to delegate its authority by saying Island Creek can approve this operator but not that operator. It's the Board's burden to select an operator. By adopting a rule of this nature, you would be delegating that authority to a coal operator and saying it's up to them to approve and not us.

Secondly, you will be evading the providence of the DGO office, the Director. The statute is set up in different chapters. The chapter concerning permitting is separate from the chapter that embracing pooling. What you are now doing is removing the ability to appeal a permit application based upon a consent to stimulate, which this

Board entertained a year ago, and saying we will no longer have to do that. We're going to cut off that method and methodology of appeal by requiring that here instead of there. By requiring it in pooling instead of permitting. These are the same arguments that I submit led to this not to be used for eighteen years of practice before this Board.

It also has the affect of creating a monopoly. The gas act was not meant to be used to control development by private concerns and by interpreting the Act the way the Board has interpreted it and by adopting this rule that is the effect of requiring this consent to stimulate rule, which I submit is no longer in force and effect upon future applicants. You are closing the door to development of tens of thousands of acres to everyone but a couple of operators who happen to have relationship to coal companies either sister corporations or otherwise.

I would submit to that this...and probably one of the reasons why it was abandoned, it is an attempt to rewrite the legislation. It's an attempt to include something that was excluded from the legislation. To do that at this stage of the game is both far removed from the time when it was initially considered and people had memories of the, I guess, legislative history, but it makes no more practical sense than it did when it was abandoned in

October of 1991. The other thing is that appeal was dismissed as settled including the signature of the representatives of the department. I would submit that was done after the permanent regulations were adopted.

So, if the Board wants to entertain this, I think there has to be a formal application of the APA for the adoption of regulation. I don't think the exception that existed in 1991 that the Board utilized and defended the appeal on currently exists in that forum. So, I would respectively suggest to the Board that it look closely at this rule and there are many, many more things speaking against the rule than I guess administrative efficiency in adopting the rule. Thank you.

SHARON PIGEON: Tom, what's the name of the case?

TOM MULLINS: I don't have it on the tip of my touch. I will get it to you.

SHARON PIGEON: Is this the same case that you've mentioned to David that he's asked you for before?

TOM MULLINS: Which...are you talking about the Attorney General's opinion or are you talking about---?

SHARON PIGEON: No, I'm talking about the case that was---.

TOM MULLINS: The case that handled going up from Edwards and Harding from this Board?

SHARON PIGEON: Uh-huh.

TOM MULLINS: It was Edwards and Harding Petroleum Company versus OXY USA, I believe was the case, plus all of the other folks that spoke. It was a host of people.

SHARON PIGEON: Thank you.

BUTCH LAMBERT: Thank you, Mr. Mullins.

TOM MULLINS: You're welcome.

BUTCH LAMBERT: Mr. Swartz.

MARK SWARTZ: Thank you. As I look back at this rule and then as I look forward at your docket and recent case loads, you know, this kind of a rule makes a lot of sense. If you can't drill the well, you shouldn't be in here applying for operatorship and this decision, you know, whether it's still in effect or not in effect, you know, focused on that and basically the Board said don't come before us if you can't drill the well. You know, we're not going to tie up the acreage and we're not going to waste hours, hours and hours having operators come in and contest operatorship if it's clear that one of them can't drill. You know, to me it's just a common sense rule. We've spent a lot of time recently on these kinds of issues involving some of my clients and involving some that are not my clients. I think just from a common sense standpoint and a practicality standpoint, you know, it probably makes some

sense and I think you ought to think about implementing it to not spend a lot of time here on hypothetical issues. That's all I have. Thanks.

BUTCH LAMBERT: Thank you, Mr. Swartz.

TOM MULLINS: Can I make one response to that?

BUTCH LAMBERT: Yes, sir.

TOM MULLINS: One of the arguments is you don't walk in with it, GeoMet has now obtained twenty consents to stimulate because of the operator contest that have been going on in part. So, you are foreclosing that possibility for a new operator by adopting the rule and saying if you don't walk in with it, you'll never get it. That's not true. We have obtained the consent for twenty units.

BUTCH LAMBERT: Thank you, Mr. Mullins. At this time, we'll close the public comment and move on to the next item on the docket. That's item number two. That the Board on its own motion will discuss the procedural rule of January the 5th, 1991. This docket item was continued from April. Given the light of discussions here this morning and some information that Mr. Asbury has been able to obtain from old files, I would suggest that we continue that item until June.

The Board, on its own motion, will consider the revised scope of work and Request for Proposals (RFP)

related to an audit of the Board's Escrow Fund. This also was continued from the April meeting. Mr. Asbury, would you like to address that one?

DAVID ASBURY: Yes, sir, Mr. Chairman. Thank you. I have a draft, as promised last time, of the proposed escrow audit. I would ask that you consider taking this with you and reviewing it. It has the changes that were discussed in a few meetings back. Take a month to review the items that are in here and continue this until June and have it on the docket at that time with any changes that you have and I will receive any changes or additions or corrections that the Board---

BRUCE PRATHER: David, you will make sure that this is given to the others two Board members that aren't here today?

DAVID ASBURY: Yes, sir, I will.

BRUCE PRATHER: Okay, good.

DAVID ASBURY: Absolutely. This does have the corrections that were discussed by the Board. It is now ready for your next consideration.

BUTCH LAMBERT: Thank you, Mr. Asbury. We'll continue that until June. The next item is a petition from GeoMet Operating Company for pooling of coalbed methane unit A-32, Rogers Well 286, docket number VGOB-09-0217-2466. All

parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, my name is Tom Mullins. I'm with the Street Law Firm in Grundy, Virginia. I represent GeoMet. I have...I'll let the folks that are with me today introduce themselves.

DALLAS NESTLE: I'm Dallas Nestle, project manager for GeoMet, Virginia and West Virginia operations.

RYAN CARTER: My name is Ryan Carter. I'm drilling and completion manager for GeoMet.

DONNA WALKER: I'm Donna Walker. I'm project analysis for Virginia and West Virginia operations.

BUTCH LAMBERT: You may proceed, Mr. Scott...Mr. Mullins. I'm sorry, I did that again. I'm sorry.

TOM MULLINS: That's okay. I've been called a lot worse, Mr. Chairman.

BUTCH LAMBERT: I know. You told me that last month.

TOM MULLINS: And it's still true. If I remember from the last time, Mr. Chairman, you had some questions concerning the AFE. If I'm not mistaken it was what some of the line items in that AFE represented and how those related to the Board's regulation for the expenditures costs. We have here today a couple more folks that hopefully can answer any questions that any of the members of the Board or

the Chairman may have concerning that. I think a couple of these folks have testified before the Board on prior occasions, but Ms. Walker has not. So, what I would like to do, with the Board's permission, is to ask her a few questions to familiarize the members of the Board with her background and experience and then dive into whatever specific questions the Board may have, if that's okay.

(Donna Walker, Ryan Carter and Dallas Nestle are duly sworn.)

TOM MULLINS: So, I will ask Ms. Walker the background information at this time, Mr. Chairman.

DONNA WALKER

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. Donna (inaudible) Walker.

Q. And what do you do for a living, Ms. Walker?

A. I'm a project analysis for GeoMet providing budgets and budget analysis and preparing AFEs and looking at historical cost and comparing them to future budget

estimates.

Q. Okay. How long have you done that?

A. For GeoMet, I have done it a little over two years. In the gas and oil industry, about thirty years.

Q. Okay. Who are your prior employers in the Gas and Oil Industry?

A. Duke Energy, Conoco Phillips, Navoe Pipeline, Southern Union Refining and the Pocahontas Gas Project, which is now the CNX property and their project Knox Energy in Tennessee. I did some contract work for them in their office.

Q. And in those roles, have you prepared AFEs?

A. I have.

Q. Okay. Is that what you did with the assistance of Mr. Carter and the review of Mr. Nestle for unit A-32?

A. Yes.

TOM MULLINS: Okay. If there's no...if there's no...the Board may have some questions as to her background or experience. If not, then I'll just dive into the specific items.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may proceed.

Q. Okay. As I remember the last hearing, there were question, I think, concerning the relationship between other legal services and landman costs and expenses as related to the regulation of the Board concerning allowable expenditure items. First and foremost, Ms. Walker, why don't you tell the Board a little bit about the accounting package that is used here?

A. GeoMet uses a standard oil and gas accounting program software called Oil and Gas Information Systems. That company is based in Forth Worth, Texas. It's used by many small and medium sized oil and gas companies. It follows along the lines of Copias and API and all the regulatory agencies that would have...want to look at our accounting system, internal audits and external audits. This package meets all of those requirements. The...it probably has more detail and more sub-categories than when you look at the Commonwealth of Virginia's line items. Our package is the standard package. I mean, if you are GeoMet, this is the type of program you use. If you're a Conoco Phillips, you're going to have a massive customized program.

Q. The package contains with it, as a lot of prepared accounting platforms have, categories already built in to it, is that correct?

A. Correct.

Q. Okay. As I understood the question that the Board had last time, they wanted us to try to draw a line, I guess, between other legal and landman costs and expenses and the allowable expenses under regulation 4VAC25160100. Have you done that?

A. Well, if you cross reference...taking the guidelines from Virginia and cross referenced our items, you can take other legal services and identify it as AlJ. You could also probably do the same thing with landman costs and expenses as this is not our internal landman. This would be a contract landman and---

Q. Could you---

A. ---contract landman services.

Q. Okay. Could you explain to the Board what type of services those are so they can get comfortable those two line items?

A. Sure. It would things such as title work, lease, the title research, field work, determining who the owners are, lease negotiations. That encompasses a lot when you're trying to determine the land owners out here because the parcels of land have been through so many generations.

Q. And your code, if I understand it, under landman costs and expenses, one of the functions of the engineering firm that you have is to help identify boundary

lines?

A. Right.

Q. And part of their costs would be rolled into this landman and other expenses, is that correct?

A. Exactly.

Q. And part of the actual what everybody who traditionally thinks as a landman who does the title work cost is attributed in there, is that correct?

A. That's correct.

Q. Okay. And the numbers that were derived, the 29870 and the 2,060, are those estimates based upon historical averages experienced by GeoMet?

A. That's correct. Typically, these budgets are prepared almost a year in advance. So, you have to go back to your prior historical averages. At the time that we prepared this budget, it was in July of 2008.

Q. Now, GeoMet just went through some revisions of its internal accounting codes and its format for AFEs effective the first of this year, is that correct?

A. There were some minor changes in that they wanted to standardize across the company the codes that were being used and because we did have some codes that were redundant, they just simply made a template that said this is the template that everybody is going to use and I think

there really was...there was only three line items that were effected that had to do with the landman and the other legal services and that we moved them from a 13590 to a 13230. I mean, it was just an internal accounting thing. So, when we bought our averages in for our budget, we had to roll those four line items in to get the two new ones, but the descriptions were the same. It was simply an issue of trying to be consistent with our Alabama facility and our Canadian facility in getting everybody on the same page and make our templates look alike.

TOM MULLINS: I'm happy to go through additional lines of the AFE if the Board would like to hear that, but if the Board has specific questions for Ms. Walker or for any of the other fellows as far as the explanation of the AFE, that may shorten it down.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Now, Mr. Mullins I have one. I think this was one of the questions that we had last month was the difference from your original and your revised. I think we were just concerned about why no other legal expenses in the original and then we see this in the revised and then we see almost a \$20,000 increase in the completion costs.

TOM MULLINS: I'll let them...whoever the appropriate person is to answer that. I believe that is driven by the estimates. The difference between...I may be talking out of school. I may not know what I'm talking about. They can correct me. But given the different times, I mean, these revisions were made much more recently than when the original one was drafted. I'm not...that may be part of the explanation, additional information has come in. I don't know. But I'll let Ms. Walker or one of these two gentlemen answer that question.

DONNA WALKER: Would you repeat the first part of the question? The second part of the question, I think, is going to be Mr. Carter.

BUTCH LAMBERT: In the original AFE, there was \$29,000 for other legal services and expenses and zero costs for landman costs and expenses.

DONNA WALKER: And I---.

BUTCH LAMBERT: In the revised, those were just switched and there's a small amount in there for legal expenses in the revised.

DONNA WALKER: I think that's simply an error that I made because in the revised addition it's correct. I think I made an error. We were using these new templates and I was used to the line item being down here in the

middle. I think when I moved it up, I just simply made an error with that.

BUTCH LAMBERT: You moved a line up?

DONNA WALKER: Well, no. See, we used to use 135-90 and 135-91 and we no longer use that because we use 132-25 and 132-30 and so in moving...in this template that our Houston accounting office had given us...understand this template is huge. There are some that we...line items that we would never use. So, in trying to put those two new things in their right place, I made an error and put the \$29,000 in other legal services and it should have been in landman costs. It should have been one line item down and then I think it looks also like I omitted the \$2,000 for the other legal services. So, that is an error that I did and am responsible for and we've corrected it in our revision.

BUTCH LAMBERT: Okay.

TOM MULLINS: And we apologize.

DONNA WALKER: Yes. And I apologize.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Mullins?

TOM MULLINS: No, sir. I think that was the last line of questioning.

BUTCH LAMBERT: Do I have a motion?

PEGGY BARBER: Motion to approve.

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and a second. All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins.

TOM MULLINS: Thank you, sir.

BUTCH LAMBERT: The next item is a petition from GeoMet Operating Company---.

(A buzzer goes off. Break.)

BUTCH LAMBERT: Okay, we apologize for that disruption. We'll continue on with item number five, a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit A-33, Rogers Well 438, docket number VGOB-09-0217-2467. All parties wishing to testify, please come forward.

TOM MULLINS: Tom Mullins with the Street Law Firm representing GeoMet and the same cast of folks for GeoMet. If it please the Board, I'd like to ask Mr. Nestle questions concerning the application on unit A-33.

DALLAS NESTLE

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

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Please state your name.

A. Dallas Nestle.

Q. And what do you do for a living, Mr. Nestle?

A. I am the project manager for GeoMet Operating Company for Virginia and West Virginia operations.

Q. And what does a project manager do?

A. Oversees the development of and the operations of existing infrastructure, production, pipeline and compression and facilities.

Q. All right, sir. Are you familiar with the application for pooling filed for unit A-33?

A. Yes, I am.

Q. And this is an 80 acre Oakwood unit, is that correct?

A. That is correct.

Q. And does GeoMet have drilling rights for this unit?

A. Yes, they do.

TOM MULLINS: Mr. Chairman, I have some amended

Exhibits B. If the Board will remember, there was a request for the inclusion of Island Creek interest, which we've done in these revised exhibits.

Q. And to your knowledge, are there any interest in Exhibit B-3 that need to be dismissed today?

A. No.

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

A. 63.83%.

Q. And the gas ownership?

A. 47.8725%.

Q. To the best of your knowledge and belief, was notice sent to those parties entitled to receive notice under the Virginia Code Section 45.1-361.19?

A. Yes.

TOM MULLINS: And, Mr. Chairman, there was advertisement that was done, but we haven't gotten the affidavit back from the newspaper. So, we'll have to submit that post hearing.

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

A. Yes.

Q. And do you have a blanket bond on file at the DGO office?

A. Yes.

Q. What are the lease terms that GeoMet offers?

A. GeoMet offers twenty dollars per acre for a five year paid up lease with a one-eighth royalty.

Q. And in your experience in the oil and gas business, is this a reasonable...are these reasonable and fair lease terms?

A. Yes.

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

A. 52.127332%.

Q. And the coal estate?

A. 36.17.

Q. Are there any unknown owners?

A. No.

Q. And the parties who are in dispute, those are what we refer to as the Roger Cousins?

A. That is correct.

Q. Okay. Is GeoMet asking that the Board pool the unleased interest in the unit?

A. Yes.

Q. To whom should correspondence be afforded in connection with elections under the...any order entered

by the Board?

A. Joseph Stevens, land manager, GeoMet Operating Company, 5336 Stadium Trace Parkway, Suite 200, Birmingham, Alabama.

Q. And the zip is 35244?

A. Yes.

Q. Okay. Now, there was attached to the application an authorization for expenditure, is that correct?

A. Yes.

Q. And that's the estimated well costs for the proposed well?

A. Correct.

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

A. 2,120 feet.

Q. Okay. And the estimated reserves?

A. 624 million cubic feet.

Q. And what are the estimated well completion costs?

A. \$512,408.

Q. And this was a revised AFE as well as we had in the last year? I mean, I believe that to be true. We submitted a revised AFE, if I'm not mistaken.

TOM MULLINS: I had thought I had submitted these

to the Board. But we got derailed I think the last time and we didn't get it done.

(Tom Mullins passes out revised exhibits.)

TOM MULLINS: I'll let the Board look at that just a second.

Q. Does the revised AFE as submitted include a reasonable charge for supervision for the drilling of the well?

A. Yes.

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

A. Yes.

Q. If there's any detailed questions about the AFE, either you or one of the folks here today can answer that question hopefully?

A. That is correct.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Mullins, do you have someone here that can testify that a newspaper was published?

TOM MULLINS: I think we have a copy of the newspaper.

RYAN CARTER: We've got the actual paper.

BUTCH LAMBERT: Just as long as we can have that on record.

TOM MULLINS: We've got a copy of the newspaper.

BUTCH LAMBERT: That's okay. He will just need a copy.

TOM MULLINS: Sure. We anticipate on getting the actual affidavit from the newspaper folks.

BUTCH LAMBERT: Okay. Thank you. Also, Mr. Nestle, could you testify to the percentage of the oil and gas leased again?

DALLAS NESTLE: 52.127332.

BUTCH LAMBERT: That's your unleased?

DALLAS NESTLE: That's the oil and gas estate.

SHARON PIGEON: Unleased?

DALLAS NESTLE: Is that the question that you're asking? I'm sorry?

BUTCH LAMBERT: Unleased.

SHARON PIGEON: The unleased. And that didn't change with your amended exhibits, is that what you telling us?

DALLAS NESTLE: The 52.127332%.

SHARON PIGEON: And that didn't change from the---?

TOM MULLINS: It's in Exhibit B on page fifteen.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do you have anything further, Mr. Mullins?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do you have any tracts that will need to be escrowed, Mr. Mullins?

TOM MULLINS: Yes. The tracts involving the Rogers Cousins as identified as Tracts 1, 2, 3, 5 and 7.

SHARON PIGEON: Do you have a witness for that?

TOM MULLINS: Sure.

Q. Mr. Nestle, based on the application and your understanding of the ownership units in these various tracts, which tracts need to be escrowed?

A. Tract 1, Tract 2, Tract 3, Tract 5 and Tract 7.

Q. It's based upon the conflict of the Rogers Cousins?

A. That is correct.

SHARON PIGEON: Any unknowns?

(No audible response.)

SHARON PIGEON: No one knows.

TOM MULLINS: I don't think. Not on this one.

SHARON PIGEON: On page---.

TOM MULLINS: I think there is in A-37, but I don't

think there is any in this one.

SHARON PIGEON: Look at page nineteen.

BUTCH LAMBERT: Page nineteen.

TOM MULLINS: Of B-3?

BUTCH LAMBERT: Uh-huh.

TOM MULLINS: Okay. I don't see any unknowns listed there.

SHARON PIGEON: You have there interest unknown. Are you telling us---?

TOM MULLINS: Oh, excuse me. I see. I was...had blinders on.

SHARON PIGEON: Yeah. We're---

Q. Well, that had to be the reason why we advertised. Those interest, Margaret Simpson, are these folks that are known, but no locateable, are those the interest that is listed on page nineteen of Exhibit B-3?

A. Yes.

Q. And the addresses listed was the last known address that we had for them?

A. That is correct.

SHARON PIGEON: So, you've not gotten any cards, is that what you're telling us?

TOM MULLINS: Right.

SHARON PIGEON: So, you don't know for sure this is

a good address or not?

TOM MULLINS: Right.

SHARON PIGEON: What tract is that?

TOM MULLINS: I think it's Tract 2. Excuse me,
Tract 4.

SHARON PIGEON: Escrow for Tract 4.

BUTCH LAMBERT: All those unknown in Tract 4?

TOM MULLINS: Yes, sir.

BUTCH LAMBERT: Because there's several of them on
page twenty as well.

TOM MULLINS: Correct.

BUTCH LAMBERT: Any further questions from the
Board?

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: On your AFEs, can you tell me why
you don't put the amount of footage of casing and stuff that
you're putting on your AFE and also you have the contract
footage or the contract drilling amount, but you don't have
the footage? It's pretty hard for us to do anything if we
don't know how much conductive surface pipe is running nor
how much production pipe. I assume the production pipe
would be 2120, but, you know, an AFE is incomplete you don't
know how much you're using.

DALLAS NESTLE: On the cover sheet to the AFE, if you flip that over---

BRUCE PRATHER: Okay.

DALLAS NESTLE: ---on the project description it talks about the sixteen inch conductor as well as the eleven and three-quarter---

BRUCE PRATHER: Oh, up here at the top?

DALLAS NESTLE: Yeah. And the footage is associated with that---

BRUCE PRATHER: Okay.

DALLAS NESTLE: ---rather than putting the---

RYAN CARTER: The production casing is usually 10 to 20 feet short of TD---

BRUCE PRATHER: Right.

RYAN CARTER: ---because you have to get your cement to...it can't sit on the bottom.

BRUCE PRATHER: Yeah, I mean, it's just difficult unless we have that to figure out whether any of these costs would be out line if we don't know how much you're running.

SHARON PIGEON: In the future, do you think you could put that on---

DALLAS NESTLE: Would you like to see it on the line item, the footages and the---

BRUCE PRATHER: It would be better if it was just

on your AFE some place.

SHARON PIGEON: Yeah, actually in---

DALLAS NESTLE: Other than...other than in the cover letter for the AFE?

BRUCE PRATHER: Yeah.

TOM MULLINS: Is that something that you could do, Ms. Walker, in the future?

DALLAS NESTLE: Will it just allow us to plug that in?

DONNA WALKER: If we know what...the process in budgeting is that we prepared these six to eight months out when we have no ideal where the well is going to be, but we have a specific budget...capital budget and for a specific amount of wells. So, typically in the beginning they're very cookie cutter, which is the same way that I prepared the AFEs when I worked for the CNX Partnership/Pocahontas Gas Partnership for the Conoco partner. They were cookie cutter. They weren't...did not identify footages. Now, what they do now, I don't know. But as these wells come...we cannot spend capital dollars without an AFE. But as the wells become known where they're going to be then that is something that can be added to it once we know. In this particular one, we do know. We can identify that. But early on in the preparation in the budget process you don't

know.

TOM MULLINS: I think what the Board is asking is if it's possible, once it is a known---?

DONNA WALKER: Once it's a known---.

TOM MULLINS: ---can we include it in the line item?

DONNA WALKER: Sure.

BRUCE PRATHER: Be specific.

DONNA WALKER: But it will be a revision.

BRUCE PRATHER: Sure. Well, I mean, AFE is an estimation anyways.

DONNA WALKER: Exactly.

BRUCE PRATHER: So, you know...but it would be helpful if we had that information.

DONNA WALKER: Absolutely, we can do that.

BRUCE PRATHER: Okay. Thank you.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: My apologies to the Board. The sound you hear is some electrical work being done on the far end of the building to tie in the security system and the fire alarm system. Do you understand there's an inspection by the Fire Marshall tomorrow that will include some new spaces for different parties, agencies and they're here

doing this alarm testing today? Our apologies.

BUTCH LAMBERT: So, it's for your new office.

(Laughs.)

DAVID ASBURY: And Russell County Government offices. Yes.

BUTCH LAMBERT: Any further questions from the Board?

BRUCE PRATHER: I'd like to make a comment. I know that Mr. Asbury and I got together some time ago regarding these AFEs. Part of that committee work was regarding these AFEs. That was one of the things that we put in our recommendations was that whenever we adopted these future AFEs have the amount of depths and the amount of pipe that's being used. So, I assume when we finally come up with our...which would be the AFE that's used for the permitting that this would be required, I hope.

DAVID ASBURY: We'll have a template for the Board to consider, yes, sir. Ms. Walker, you requested that template during the past few weeks and it's only because of our move and transition circumstances that you don't have that, as well as the Board.

BUTCH LAMBERT: Any further questions or comments?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

PEGGY BARBER: Motion to approve.

BUTCH LAMBERT: I have a motion. Do I have a second?

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and a second. All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins. It's approved. The next item is a petition from GeoMet Operating Company, LLC or Inc., I'm sorry, for pooling of coalbed methane unit A-37, Rogers Well 277 docket number VGOB-09-0217-2468. All parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, Tom Mullins with the Street Law Firm on behalf of GeoMet.

DALLAS NESTLE

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Nestle, would you please state your name?

A. Dallas Nestle.

Q. And by whom are you employed?

A. GeoMet Operating Company.

Q. What are your job duties?

TOM MULLINS: Mr. Chairman, rather than go through this, can we stipulate...or incorporate his prior testimony as to his job duties and the lease terms and those kinds of things?

BUTCH LAMBERT: Agreed, yes.

Q. Are you familiar with the application concerning unit A-37?

A. Yes.

Q. Is this an 80 acre Oakwood unit?

A. Yes, it is.

Q. To your knowledge, are there any parties that need to be dismissed?

A. No.

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

A. 83.89%.

Q. And gas?

A. 80.985%.

Q. Okay. And was notice of the application as required by the Act?

A. Yes.

Q. And let's see here real quick. I think this is the one that had unknown owners. Okay. Is GeoMet authorized to do business in Virginia?

A. Yes.

Q. And it has as bond?

A. Yes, they do.

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

A. 19.015%.

Q. And the coal estate?

A. 16.11%.

Q. And is this...are there any unknown or unlocateable owners?

A. Yes.

Q. Which tract?

A. Tract 3.

Q. And what is the total percentage to be escrowed due to the unlocateable owners from those tracts?

A. .67125%.

Q. Okay. Has Exhibit E been prepared to identify those folks?

A. Yes, it has.

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

A. Yes.

Q. Who are they?

A. The Rogers Cousins.

Q. And is that Tracts 2 and 5?

A. Yes, it is.

Q. And what is the total percentage to be escrowed due to the disputed ownership of those tracts?

A. 2.905.

Q. And is that also identified in Exhibit E?

A. Yes, it is.

Q. And is it the request of GeoMet that the Board pool these unleased interest in the unit?

A. Yes.

Q. And any correspondence should be sent to Mr. Joseph Stevenson, Land Manager at GeoMet, 5336 Stadium Trace Parkway, Birmingham, Alabama 35244, is that correct?

A. That is correct.

Q. And an estimated well cost was prepared for this unit?

A. Yes.

Q. And what was the proposed depth?

A. 2,300 feet.

Q. And the estimated reserves?

A. 780 million cubic feet.

Q. And the well completion costs?

A. \$474,350.

Q. And the dry hole?

A. \$257,014.

Q. And does that AFE have a reasonable charge for supervision as part of its contents?

A. Yes, it does.

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

A. Yes, it would.

TOM MULLINS: Answer any questions the Board may have.

BUTCH LAMBERT: My question is for Ms. Walker. Ms. Walker, again, on the original AFE versus the revised AFE was that a mistake on your part again?

DONNA WALKER: Yes.

BUTCH LAMBERT: Okay, thank you. Any further questions from the Board?

BRUCE PRATHER: I've got a question regarding the AFE.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I took the...like your drilling costs...I took the drilling costs and divided by the amount

of footage that you're talking about. The first well has \$23 a foot and this last one is \$17.93. Are we going to be drilling these simultaneously by the same company?

RYAN CARTER: The price per footage changes. As in this well, you have a mine string in it. The price per footages changes depending on the size of the hole that you have to drill and if it has a mine string in it. In some cases, you have to, of course, also run a conductor string and you have to have different sizes for each casing.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Mr. Mullins, would you like to incorporate Mr. Carter's previous---?

TOM MULLINS: I would. Thank you, sir. And Ms. Walker as well.

BUTCH LAMBERT: Yes, okay. Thank you. Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

PEGGY BARBER: Motion to approve.

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying

yes.

(All Board members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins.

TOM MULLINS: Thank you.

BUTCH LAMBERT: The next item is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit ZZZ-35, Rogers Well 591. This is docket number VGOB-09-0217-2470. All parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, Tom Mullins on behalf of GeoMet. I have with me today, Mr. Nestle and Mr. Carter and Ms. Walker, whose credentials I would like to ask the Board to incorporate.

BUTCH LAMBERT: Accepted.

TOM MULLINS: I will first ask Mr. Nestle.

DALLAS NESTLE

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Nestle, please state your name.

A. Dallas Nestle.

Q. And what do you do for a living, Mr.

Nestle?

A. I'm the project manager for GeoMet Operator Company of the Virginia and West Virginia operations.

Q. Okay. And are you familiar with the application for unit ZZZ-75?

A. Yes, I am.

Q. Okay. And is that an 80 acre Oakwood unit?

A. Yes, it is.

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

A. Yes, they do.

TOM MULLINS: Okay. And, Mr. Chairman, before we get much further, I have another revised AFE that I'd like to hand out. These were all prepared in the same batch. That's why we're having to revise them.

(Tom Mullins passes out a revised AFE.)

Q. Are there any party respondents in Exhibit B-3 who should be dismissed today?

A. No.

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

A. 44.23%.

Q. Gas?

A. 37.94%.

Q. And was notice provided as required by the Act?

A. Yes.

Q. Is GeoMet authorized to do business in Virginia?

A. Yes.

Q. And it has a bond?

A. That is correct.

Q. And the same lease terms as previously testified to?

A. Yes.

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

A. 62.06%.

Q. And the coal estate?

A. 55.77%.

Q. Are there any unknown or unlocateable owners?

A. Yes.

Q. In which tract?

A. Tract 3.

Q. And what is the total percentage to be escrowed due to the inability to locate?

A. .13167%.

Q. And is that indicated on Exhibit E to the application?

A. Yes, it is.

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

A. Yes.

Q. Who are those?

A. Rogers Cousins.

Q. And which tracts are involved?

A. Tract 1, Tract 2 and Tract 4.

Q. And what is the percentage to be escrowed due to this disputed ownership?

A. 13.18%.

Q. And is that also indicated on Exhibit E?

A. Yes, it is.

Q. And is GeoMet asking the Board to pool these unleased interest in the unit?

A. Yes, we are.

Q. And correspondence should again be sent to Mr. Joseph Stevenson, Land Manager of GeoMet Operating Company at 5336 Stadium Trace Parkway, Birmingham, Alabama 35244, is that correct?

A. That is correct.

Q. All right. And was a estimate of well

development costs prepared?

A. Yes.

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

A. 2,100 feet.

Q. All right. What are the reserves that estimated for this unit?

A. 702 million standard cubic feet.

Q. And what is the estimated well completion costs?

A. \$485,901.

Q. Dry hole costs?

A. \$241,369.

Q. And we've handed to the Board the revised AFE as an exhibit, is that correct?

A. Correct.

Q. And the AFE contains a reasonable charge for supervision for the drilling of the well?

A. Yes.

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

A. Yes, it would.

TOM MULLINS: Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I have a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I'm kind of getting back to that footage thing. I assume what you're doing here is you're adding day work to a contract price, is that correct?

RYAN CARTER: Excuse me?

BRUCE PRATHER: You're adding day work to a contract price? In other words, I've never seen anybody contract a well out with three different prices. In other words, I've had twenty-three dollars, nineteen and seventeen. Now, if you add the day work to that, I can understand where you're coming from.

RYAN CARTER: Was this price not lower than the other two?

BRUCE PRATHER: No, this is in the middle. One was seventeen, one was nineteen and one was twenty-three. But what I'm asking you is if you're adding day work to your drilling costs that day work should be put in its own column if you're going to have additional expenses. I've never seen one of these in which the operating or the drilling costs fluctuated like this.

RYAN CARTER: Well, some wells have mine strings and some of them don't.

BRUCE PRATHER: Well, I understand that. But the

thing about it is are you adding day work to the contract?

RYAN CARTER: There is no day work in the contract.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

KATIE DYE: Motion to approve.

PEGGY BARBER: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins. It's approved.

TOM MULLINS: Thank you, sir.

BUTCH LAMBERT: The next item is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit ZZZ-36, Rogers Well 213. This is docket number VGOB-09-0217-2471. All parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, Tom Mullins with the Street Law Firm on behalf of GeoMet, Mr. Nestle and Mr. Carter and Ms. Walker as well. I would like to ask the Board if we could incorporate the credentials and the basic information again.

BUTCH LAMBERT: It's accepted.

(Tom Mullins passes out revised exhibits.)

DALLAS NESTLE

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Please state your name, Mr. Nestle.

A. Dallas Nestle.

Q. Are you familiar with the application for unit ZZZ-36?

A. I am.

Q. Does GeoMet have drilling rights in this unit?

A. Yes.

Q. Are there any party respondents listed in Exhibit B-3 that need to be dismissed?

A. No.

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

A. 83.42%.

Q. And the gas ownership?

A. 83.2475%.

Q. And has notice been forwarded as required
by the act?

A. Yes.

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

A. Yes, they are.

Q. And it has a bond?

A. That is correct.

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

A. 16.7525.

Q. And the coal estate?

A. 16.58%.

Q. Are there any unknown or unlocateable
owners?

A. Yes.

Q. Which tract?

A. Tract 3.

Q. And what is the total percentage to be
escrowed due to this fact?

A. .6675.

Q. And is that listed on Exhibit E?

A. Yes, it is.

Q. And are there folks whose interests are in dispute?

A. Yes.

Q. Who are they?

A. The Rogers Cousins.

Q. Which tract?

A. Tract 4.

Q. And what is the total percentage to be escrowed due to this disputed ownership?

A. .1725.

Q. And is that also listed in Exhibit E?

A. Yes, it is.

Q. And correspondence should again be afforded to Mr. Joseph Stevenson at the address previously given and incorporated?

A. That is correct.

Q. Okay. Has a well estimate cost been prepared?

A. Yes, it has.

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

A. 2248.

Q. The AFE listed as 2,170, would that be a corrective number?

A. Yes, it would.

Q. And the estimated reserves?

A. 702 million cubic feet.

Q. And the completion costs?

A. \$498,058.

Q. Okay. And the dry hole costs?

A. \$252,597.

Q. And do those well costs include a supervision fee?

A. Yes, they do.

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

A. Yes, it would.

SHARON PIGEON: What was the revised depth again?

DALLAS NESTLE: 2,170.

SHARON PIGEON: Thank you.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

PEGGY BARBER: Motion to approve.

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussions?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins.

TOM MULLINS: Thank you, Mr. Chairman.

BUTCH LAMBERT: The next item is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit ZZZ-37, Rogers Well 212. This is docket number VGOB-09-0217-2472. All parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, Tom Mullins with the Street Law Firm on behalf of GeoMet. Also with me today is Mr. Nestle, Mr. Carter and Ms. Walker. We would like to incorporate their prior testimony as to their background and experience, as well as the standard lease terms from a prior hearing.

BUTCH LAMBERT: Accepted.

TOM MULLINS: All right.

DALLAS NESTLE

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your name?

A. Dallas Nestle.

Q. All right. Mr. Nestle, are you familiar with unit ZZZ-37?

A. Yes, I am.

Q. That's an 80 acre Oakwood unit?

A. Yes, it is.

Q. Okay. Does GeoMet have drilling rights in this unit?

A. Yes, they do.

Q. And on Exhibit B-3 are there any folks that need to be dismissed?

A. No.

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

A. 97.56%.

Q. And the gas ownership?

A. 97.56%.

Q. And was notice sent as required by the Act?

A. Yes.

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

A. Yes, they are.

Q. And has a bond on file?

A. That is correct.

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

A. 2.44%.

Q. And that is the same as with the coal estate?

A. That is correct.

Q. Are there any unknown or unlocateable owners?

A. Yes.

Q. And its tract?

A. Tract 2.

Q. What is the total percentage to be escrowed due to the failure to be able to locate those owners?

A. .101667.

Q. And is that indicated on Exhibit E?

A. Yes, it is.

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

A. No.

Q. Okay. And is GeoMet asking the Board to pool these unleased interest?

A. Yes.

Q. Okay. And, again, the correspondence should be sent to Mr. Stevenson in Birmingham, is that correct?

A. That is correct.

Q. Okay. And was an estimated well cost prepared for this unit?

A. Yes, it was.

Q. Okay. And what is the depth of this well proposed to be?

A. 2,198 feet.

Q. Okay. And the estimate for reserves?

A. 676 million cubic feet.

Q. And the estimated well completion costs?

A. \$499,167.

Q. And the dry hole costs?

A. \$253,507.

Q. And do the estimate of the well costs include a supervision fee?

A. Yes.

Q. And, in your opinion, would the granting of

this application promote conservation, protect correlative rights and prevent waste?

A. Yes, it would.

TOM MULLINS: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Mr. Nestle, could you testify to the depth again, please?

DALLAS NESTLE: 2,198 feet.

TOM MULLINS: That's as reflected in the newly submitted AFE, Mr. Chairman.

BUTCH LAMBERT: Okay. Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do you have anything further, Mr. Mullins?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do I have a motion?

PEGGY BARBER: Motion to approve.

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins. It's approved. Let's take about a ten minute break.

TOM MULLINS: I'm going to continue the next few.

BUTCH LAMBERT: Okay.

TOM MULLINS: With your permission, Mr. Chairman.

BUTCH LAMBERT: I have that. If you want to do that real quickly, we'll do that.

TOM MULLINS: I think Mr. Kaiser is involved because these are on the competing Appalachian issues. We are requesting...Mr. Kaiser and I are hopeful to get together to see if we can talk about resolving these issues between the two companies. That is the reason for the request to continue. We are asking for a continuance until June and Mr. Kaiser has some witness problems. He's asking for July. Our only reservation in agreeing, if the Board finds it proper to grant a continuance until July is if you adopt this proposed rule change, I don't know if you intend to apply that retroactive to any applications pending before the Board at that time or only to new applications filed after...if you do adopt it, filed after July. So, it's going to be applied to pending applications and not just future applications, then I need to object to the

continuance until July.

BUTCH LAMBERT: Let me read these into the record---.

TOM MULLINS: Sure.

BUTCH LAMBERT: ---and then we'll go on for discussion from there.

TOM MULLINS: That will be fine.

BUTCH LAMBERT: Okay. We're going to be calling I think about the next ten docket items, I believe. We'll be calling a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 420 VA unit F-37, docket number VGOB-09-0421-2504; also calling a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 419 VA unit F-36, docket number VGOB-09-0421-2505; also calling a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 418 VA unit F-35, docket number VGOB-09-0421-2506; also calling a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 417 VA unit F-34, docket number VGOB-09-0421-2507; also calling a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit 416 VA unit F-33, docket number VGOB-09-0421-2508; also calling a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-199 (F-37), docket number VGOB-09-0421-2517; also

calling a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-241 (F-33), docket number VGOB-09-0421-2518; also calling a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-237 (F-36), docket number VGOB-09-0421-2519; also calling a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-245 (F-35), docket number VGOB-09-0421-2520; and also calling a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-243 (F-34), docket number VGOB-09-0421-2521. All parties wishing to testify, please come forward.

TOM MULLINS: Tom Mullins on behalf of GeoMet.

JIM KAISER: Jim Kaiser on behalf of Appalachian Energy.

BUTCH LAMBERT: The Board has received both the request from Mr. Kaiser and Mr. Mullins. Mr. Kaiser, I think you requested July and, Mr. Mullins, I think you requested June.

TOM MULLINS: And the reason for June, Mr. Chairman, as I stated, is if the Board adopts that rule on agenda item number two, I don't want that to defeat my application before it's heard. So, I would...I guess it's a question, if that rule is going to be applied to all matters pending or only to future matters filed, if it's only future

matters filed then there's not an issue. If it's going to apply to pending matters, then I need to ask that it be heard in June.

BUTCH LAMBERT: Mr. Kaiser.

JIM KAISER: Well, we ask for July basically for three reasons. One, I think we do need some time to try to work this out given the history of these units. We want to try to get the right people involved including, you know, probably some people from Alabama. I'm not saying we haven't done well with the local people, but I think that ultimately to get this resolved we're going to need somebody that has the authority to actual resolve it. I don't know what their schedules are. Number two, we do have some problems with the availability of witnesses on the June the 16th date, one of our completion people in particular. Three, I understand, obviously, Mr. Mullins' concern as to the adoption...the potential adoption of the rules regarding the requirement of the consent to stimulate. But my reply to that would be, again, let's use some common sense and pragmatism here. If that's going...if the rule is...if the rule...assuming the rule has a stance of being...has a chance of being adopted then to hear these contested units since that basically is the central issue in these hearings if you're going to adopt that rule at any point whether it

be July, August or September to hear these petitions or these applications prior to that would be premature and quite frankly not very prudent. I mean, again, because if you did and for some reason you decided their application was the application that you were going to approve, then, you know, what have you accomplished. Unless they can somehow obtain that consent, you've sterilized five units. I don't think that's what the Board wants to do.

BUTCH LAMBERT: Okay, considering...not considering the procedural rule that we may or may not take up in June, my recommendation would be that we continue it until June and if you cannot get your witnesses, if there's some conflict, then we consider at that time whether we need another continuation. Is that fair?

BRUCE PRATHER: I think another problem we've got is VGOA is coming up at the end of June. So, you're going to have people out of town for that whole week in June.

TOM MULLINS: That's after the hearing, I believe.

BRUCE PRATHER: Yeah.

JIM KAISER: Well, we renew our request until July. We've not formally made a request for a continuance in these matters, again, for the reasons I've stated. I think it would be more prudent and a little more pragmatic and common sense to just continue until July. But, you know, the Board

is going to do what they want to do.

BUTCH LAMBERT: Well, let's continue it until June and hopefully there's still some negotiations going on that we can continue it until July or if you cannot get your witnesses here, we'll consider---

JIM KAISER: Well, I'm going to...if you're going to take the June continuance, I'm going to withdraw my request for July so that I can...if I need to refile it in June I will.

BUTCH LAMBERT: Okay. So, you're okay with continuing your cases until June?

JIM KAISER: At his request.

BUTCH LAMBERT: At Mr. Mullins' request.

TOM MULLINS: It's a joint request, I believe.

JIM KAISER: Well, my request...it can't be joint if they're two different months.

TOM MULLINS: Well, then he has lost his July request, Mr. Chairman. I think that's what he's trying to do. Look, it's common sense. We'll see where we are in June. But I think it is a joint request that we have time to negotiate. I mean, if that's not it, then we're wasting our time by continuing it. I think we are making a joint request to continue to June. If he needs to renew it in July, I believe the Board would take that at that time. I'm

not saying he's procedurally barred.

BUTCH LAMBERT: We would.

JIM KAISER: Right. That's fine.

BUTCH LAMBERT: Okay. So, the docket items read into the record will be continued until June.

TOM MULLINS: Thank you, Mr. Chairman.

BUTCH LAMBERT: Now, let's take about a ten minute break.

(Break.)

BUTCH LAMBERT: Okay, we're back on the record. Mr. Kaiser and Ms. Barrett, it looks like you all have got the rest of the afternoon.

JIM KAISER: The rest of the morning.

RITA BARRETT: It won't take long.

JIM KAISER: It ain't going to go into the afternoon.

RITA BARRETT: You guys might get out of here a little early.

BUTCH LAMBERT: We have to eat lunch. We can't go until we eat lunch.

RITA BARRETT: Which means they're going to ask us a lot of questions.

JIM KAISER: No, we'll be done before lunch.

SHARON PIGEON: We'll stay for lunch.

BRUCE PRATHER: It looks like none of these are Roaring Fork, is that correct?

RITA BARRETT: I'm sorry?

BRUCE PRATHER: None of these wells are on Roaring Fork?

RITA BARRETT: I don't think so, Mr. Prather.

BRUCE PRATHER: Okay. I don't think they were either.

BUTCH LAMBERT: The next item is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537108, docket number VGOB-09-0421-2515. All parties wishing to testify, please come forward.

JIM KAISER: Now, Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of Equitable Production Company...EQT Production Company.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JIM KAISER: Mr. Chairman and Board members, we continued this one...oh, I'm sorry, our witness needs to be sworn.

(Rita Barrett is duly sworn.)

JIM KAISER: We continued this one in April because there was some confusing about the status of one of the...or the interest of one of the respondents within the unit and it turns out that we were correct and we really didn't even

need to continue it. So, we'd ask that our testimony from the previous hearing be adopted and then I'll have Ms. Barrett explain kind of what happened there, if that's okay with the Board. Otherwise, we'll go back through the whole thing if you want to.

BUTCH LAMBERT: I think maybe it would be good if you'd just refresh our memories.

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Ms. Barrett, then, if you'd state for the record and who you're employed by.

A. Equitable...I'm sorry, EQT Corporation in Big Stone Gap. I'm Rita Barrett.

Q. And you're familiar with the application that we filed seeking to pool any unleased interest in the unit for VC-537108, which was dated March the 20th, 2009?

A. I am.

Q. Now, explain kind of what happened at the last hearing and why we continued this.

A. At the last hearing there was some

confusion as to which tract we had leased Michael Tiller on. We, in fact, had leased him on Tract 1 and we did an Exhibit B-2 dismissing him as unleased on Tract 1. We had changed his address on Tract 1 and Tract 2.

Q. There was confusion as to whether he's leased on 1 or 2 or whatever and the---?

A. That's correct.

Q. ---testimony that was entered the first time was correct, right?

A. That's correct.

SHARON PIGEON: That was Tract 1?

RITA BARRETT: Yes.

SHARON PIGEON: And he's dismissed off of Tract 2 somewhere.

RITA BARRETT: I'm sorry, what was your question.

SHARON PIGEON: I was just repeating what you said.

RITA BARRETT: We leased him on Tract 1. He was already leased on Tract 2. So---.

SHARON PIGEON: Okay.

RITA BARRETT: ---we dismissed him on Tract 1 and corrected his address on both tracts on this exhibit.

Q. He was leased on Tract 2, but not on 1?

A. Right.

Q. Then we leased him on 1?

A. Correct.

Q. So, now he's leased on both and we've corrected both of his addresses in Tract 1?

SHARON PIGEON: Didn't Rita just say just that second that he was dismissed from Tract 1?

JIM KAISER: Because we leased him.

RITA BARRETT: Yeah, because we leased him.

SHARON PIGEON: Oh, okay, I'm sorry.

RITA BARRETT: Per Exhibit B-2.

SHARON PIGEON: I'm getting confused as we go here.
Thank you.

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

A. Yes.

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

A. 89.219889%.

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

A. A 100%.

Q. And all unleased parties are set out in your revised B-3, which I assume the Board still has a copy

of?

A. Yes.

Q. Okay. And so the interest in the gas estate that remains unleased is 10.780111?

A. Actually, no. The unleased interest is 10.27144444%.

Q. Okay. So, then what's the percent that's leased? It has got to be higher too then from what you just testified to.

A. The percentage of the unit that's now leased 89.728556%.

Q. Okay. A 100% of the coal estate is leased?

A. A 100% of the coal estate is leased, yes.

Q. Do we have any unknown or unlocateables?

A. We do not.

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

A. Yes.

Q. Are you requesting the 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. I am.

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

A. Those are twenty-dollar bonus, five year term paid up and one-eighth royalty.

Q. 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.

Q. Do you agree that all unleased respondents be given their three statutory election options as according...in accordance with the statute?

A. Yes.

Q. Does the Board need to create an escrow account for this well?

A. Yes.

Q. And what tracts need to be...the proceeds from what tracts need to be escrowed? Would that just be Tract 2?

A. Escrow Tracts 1 and 2 conflicting claimants.

Q. 1 and 2?

A. Yes.

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

A. Equitable...EQT Corporation.

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

A. 2,286 feet.

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

A. 250 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?

A. Yes.

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

A. Dry hole costs are \$164,844. Completed well costs are \$411,531.

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.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do you have anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved as submitted as long as you all have got this revised exhibit dated---

RITA BARRETT: April the 1st.

BUTCH LAMBERT: Do I have a motion?

PEGGY BARBER: Motion to approve.

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying

yes.

(All Board members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you. Mr. Chairman, if I may before you call the next item, the next five items on the docket today are petitions from Equitable to modify the Nora Coalbed Gas Field Order to allow for an additional well and for an increased density well to be drilled in these units. Ms. Barrett's testimony will be, depending on whether or not we have unknown entities within the unit, will be a little different with each petition. But Mr. Hinte's will be the same. So, I'm wondering if we might be able to call them all at one time and then have her do her testimony and then him just do his once. If that's allowable with the Board, rather than doing it all five times.

BUTCH LAMBERT: Okay, we'll call those items. A petition from Equitable Production Company for a modification of the Nora Coalbed Gas Field Order to allow for drilling of an additional well in Units BK-34, BK-35, BK-36, BL-34, BL-35, BN-39, BN-40, BN-41, BO-39, BO-40 and BO-41, docket number VGOB-89-0126-0009-47. Also calling a

petition from Equitable Production Company for a modification of the Nora Coalbed Gas Field Order to allow for drilling of an additional well in Units AS-55, AS-56, AS-57, AS-58, AT-55, AT-56, AT-58, AU-57, AV-53, AV-54, AV-55, AW-53, AW-54, AW-55, AX-53 and AX-54, docket number VGOB-89-0126-0009-48. The next item is a petition from Equitable Production Company for a modification of the Nora Coalbed Gas Field Order to allow for drilling of an additional well in Units BJ-61, BJ-62, BK-60, BK-61 and BK-63, docket number VGOB-89-0126-0009-49. Also calling a petition from Equitable Production Company for a modification of the Nora Coalbed Gas Field Order to allow for drilling of an additional well in Units AV-43, AV-44, AW-43, AW-44, AX-42, AX-43, AX-44, AX-45, AY-43 and AY-44, docket number VGOB-89-0126-0009-50. Also calling a petition from Equitable Production Company for a modification of the Nora Coalbed Gas Field Order to allow for drilling of an additional well in Units BP-39, BP-40, BP-41, BQ-39 and BQ-40, docket VGOB-89-0126-0009-51. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser, Rita Barrett and Chris Hinte on behalf of EQT Production Company. We'd ask that Mr. Hinte be sworn at this time.

(Chris Hinte is duly sworn.)

JIM KAISER: And, again, Mr. Chairman, with your permission, we'll just go through the five items and Ms. Barrett's testimony first and then come back to Mr. Hinte's testimony, which will be generic or general to all five petitions.

BUTCH LAMBERT: All right, proceed.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. So, Ms. Barrett, we're starting with number twenty-one, which is what we're calling Flattop. Have all oil and gas and coal owners been notified of this hearing as required by statute?

A. Yes.

Q. And we did have some unknown respondents in the unit and we did publish in order to attempt to effect notification of that?

A. That's correct.

Q. And have any coal owners or operators filed any objections to this petition?

A. No.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may call your next witness.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, again, we're moving on to item twenty-two, which is what we call our Middle of the World unit. Again, Ms.---

A. I don't name these.

BUTCH LAMBERT: I know where that is. I really do.

JIM KAISER: Yeah.

Q. Ms. Barrett, again, have all oil, gas and coal owners been notified as required by statute?

A. Yes.

Q. And, again, we did have some unknowns and unlocateables and, again, we did publish in order to attempt to effect notification of those folks?

A. Yes, we did.

Q. And, again, have any coal owner or operators filed any objection to this petition?

A. No.

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

BUTCH LAMBERT: You may call your next witness, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, again, now, we're moving on to what we call the Wampler Ridge area, which is item twenty-three. Again, have all oil, gas and coal owners been notified?

A. Yes.

Q. And we did not have any unknowns in this unit, correct?

A. That's correct. This is a 100% Range Resources on all of these.

Q. Right. And did any coal owner or operators file any objections to this petition?

A. No.

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

BUTCH LAMBERT: You may continue, Mr. Kaiser, if there's no questions from the Board.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. That moves us on to item twenty-four, which we're calling Dog Branch. Again, were all oil, gas and coal owner notified of this hearing?

A. Yes.

Q. And, again, this is a 100% Range Resources-Pine Mountain?

A. That's correct.

Q. And we don't have any unknowns or unlocateables?

A. That's correct.

Q. And, again, were there any objections filed by coal owners or operators?

A. No.

Q. And then, Ms. Barrett, moving on to the fifth petition, which we're calling Open Fork. Again, were all coal, oil and gas owners notified as required?

A. Yes.

Q. And, again, there are no unknown and

unlocateables in this unit, right?

A. That's correct. This is a 100% Range Resources-Pine Mountain, Inc. and Standard Banner.

Q. Okay. And did Standard Banner or coal owner or operator file any objection to this petition?

A. No.

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

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I've got one question or statement. It looks to me like this is...these leases are...or these units are all internal to Equitable and Range Resources Holdings. So, there's no correlative rights problems whatsoever on any of these, is that correct?

RITA BARRETT: We don't have plats on all of those, but anything that's outside of the interior grid we would...we do not have any correlative rights issues.

BRUCE PRATHER: I assume that's---.

RITA BARRETT: That's correct.

BRUCE PRATHER: Okay. All right. You've answered my question.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may call your next witness.

CHRIS HINTE

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Chris Hinte, employed with EQT Production Company and I'm the regional drilling manager out of Big Stone Gap.

Q. And you've testified previously our petitions for increased density wells?

A. Yes, I have.

Q. And you have prepared a handout for the Board today for these five petitions that is somewhat generic to all five of them. If you would go through that now and provide for the Board an outline of what the process is here and why we are continuing to seek permission to drill these increased density wells.

A. Okay. Moving on AA, Virginia CBM Increased Density Drilling Summary. As of March the 31st of '09, our total number of wells drilled is a 108. Cumulative production is 2,484,000 cubic feet and they are at a current rate of production of 5.5 million cubic feet per day.

On BB is a general shot of the Nora Field with the ones in grey we've previously been approved and the ones in green we are seeking approval for.

CC is for docket number twenty-one. It is just showing locations that we're seeking field rule modifications for today.

CC-2 is for docket number twenty-two. It's the same thing. It's a shot of locations we're seeking field rule modifications for today.

CC-3 is another map shot, which we're showing CBM field rule modifications for today with the ones in green are the ones we're seeking for and the ones in grey previously approved.

CC-4 is for docket twenty-four. Again, a map of the locations we're seeking field rule modifications for.

CC-5 for docket twenty-five. We're seeking field rule modifications for. Again, green is what we're approving for. The grey is previously approved.

Q. And would it be your testimony then that based upon your experience drilling these wells and the data that you've collected from drilling these wells that this exercise continues to be a good use of your company's capital and also provides benefits to both the royalty owners and the gas is recovered...more gas is recovered at a

faster rate resulting the generation of more royalty income and better for the counties in that it generates additional severance tax and in addition, obviously, the coal owner and operator in this particular area have seen fit to allow us to go forward and not object to it, is that correct?

A. That's correct. With the cumulative production numbers and the production rates that we have.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Hinte, on Exhibit AA, could you just describe what...your total well is 108?

CHRIS HINTE: Where 108 is coming from?

BUTCH LAMBERT: Yeah.

CHRIS HINTE: It's a cumulative number of the wells drilled in all of the years. In 2006 we drilled 16, in 2006 37, in 2008 25 and in 2009 is 30. That total should be 108.

BUTCH LAMBERT: So, we're not...you're not talking about just the areas on Exhibit BB that are in grey. You're talking...that's...your 108 is a complete number of wells including these---.

CHRIS HINTE: The complete number of the infill wells.

BUTCH LAMBERT: Okay.

CHRIS HINTE: Not the original wells, only the infill wells.

BUTCH LAMBERT: Okay. Thank you. I just wanted to clear that one.

CHRIS HINTE: Yes, sir.

BUTCH LAMBERT: Also, on BB...Exhibit BB, look in the far northeast corner of the green that's in the northeast corner. How come we let that one in the center right there? Is there some reason?

CHRIS HINTE: I'm not sure at this time. I'm sure it's something we're pressing for in the future.

RITA BARRETT: We would could not get a second location in that grid because of terrain and spacing from existing wells.

BUTCH LAMBERT: Okay. All right, thank you. Any further questions from the Board?

BRUCE PRATHER: That is held by Production in that internal...that internal piece here that---?

JIM KAISER: There is one well in it, yeah.

RITA BARRETT: That is one well, yes.

BRUCE PRATHER: Yeah. Yeah. So, it's held in production?

RITA BARRETT: Yes, sir.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any more questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion on all of the five docket items?

PEGGY BARBER: Motion to approve.

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and a second. Are there any further discussions?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All Board members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. All five approved. The next item is a petition from Equitable Production Company for disbursement of funds from escrow and authorization for direct payment of royalties in a portion of Tract 3, unit VC-5513135, docket number VGOB-06-0620-1653-02. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Production.

BUTCH LAMBERT: Mr. Kaiser and Ms. Barrett, just for record, I know we're using the terms back and forth EQT and Equitable. For the record, could you just describe why we're doing that?

RITA BARRETT: Equitable recently changed its name to EQT Corporation. We're just finding it hard to get use to saying that I suppose. But it is EQT Corporation.

BUTCH LAMBERT: And our docket reflects Equitable. So, this happened after these docket items were received, is that correct?

RITA BARRETT: Anything after the June hearing should reflect EQT Corporation because we do have items that we applied for this hearing that got moved to June that have Equitable Production.

BUTCH LAMBERT: Okay. All right, thank you.

RITA BARRETT: You're welcome.

BUTCH LAMBERT: I wanted to clear that up for the record.

SHARON PIGEON: Is there any change in the ownership entity or anything like that?

RITA BARRETT: No.

SHARON PIGEON: Just a name change?

RITA BARRETT: It's just a name change and branding change, yes.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: We'll work with Rita and Jim on it on the question of bonding and how those bonds are carried forth in these applications.

BUTCH LAMBERT: Okay. Thank you, Mr. Asbury. Mr. Kaiser---

DAVID ASBURY: And I don't believe you can do a name change...just a simple name change on a bond.

RITA BARRETT: I know Diane and I have talked about that. I sent your concerns up to corporate and I assumed that you had gotten an answer. I'll do that again this afternoon.

SHARON PIGEON: Never assume.

DAVID ASBURY: I just want to make sure something doesn't slip through cracks here in this transition.

BUTCH LAMBERT: Okay.

DAVID ASBURY: Thank you.

BUTCH LAMBERT: Thank you. Mr. Kaiser, you may proceed.

JIM KAISER: Yes, this is an application that we filed on behalf of Maynard D. Counts and Range Resources-Pine Mountain. We want to obtain the Board's authorization or for them to disburse royalties in escrow and then for

further direct payment of royalties in a portion of Tract 3 in this unit.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, I think before I get into any kind...there's a spreadsheet, right? You're going to hand out the W-9s. Then you've got a letter from somebody, I think maybe you need to read.

A. Initially on our exhibits for this particular well, we had Christopher Counts identified as being one of the heirs of Elsie Mae Counts on all of the force poolings. That was who we were paying on this particular well. I received a letter. I have it right here from Christopher Counts saying that any royalties should be payable to his father. So, his father is Maynard Counts. So, we internally changed all of our records to reflect Maynard Counts as the royalty owner instead of Christopher Counts. I have a copy of that letter if you need it.

BUTCH LAMBERT: Mr. Asbury will need a copy.

Q. Okay. There is a royalty split agreement between Maynard Counts and Range Resources-Pine Mountain for a 75/25 split, right?

A. Yes, dated February the 15th.

Q. That was attached to our application. And we have prepared a spreadsheet and would draw the Board's attention to the next to the last column on the right that shows the owner's percentage in escrow. Those percentages are correct to the best of your knowledge?

A. That's correct.

Q. And then we have a figure as of 12/31 to show the portion of the proceeds attributable to Tract 3 that would be disburseable as of that date to those two parties under that split agreement, correct?

A. Yes, yes.

Q. So, we're asking the Board to take the percentage in the next to the last column to the right and disburse accordingly to those two parties and then, of course, they will have to keep the escrow account open for Tract 3 because this doesn't cover the entire tract, correct?

A. That's correct.

Q. And then as to these two parties and their portion of Tract 3, we'd ask that the Board going forward allow us to pay them directly?

A. Yes.

JIM KAISER: Nothing further at this time, Mr.

Chairman.

BUTCH LAMBERT: Questions from the Board?

SHARON PIGEON: Your balance is through 12/31/08?

RITA BARRETT: Yes, ma'am.

JIM KAISER: And does it square up with the bank's
balance?

RITA BARRETT: It does.

BUTCH LAMBERT: Do I have a motion?

PEGGY BARBER: Motion to approve.

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and a second. Any
further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying
yes.

(All Board members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's
approved.

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item is a petition from
Equitable Production Company for disbursement of funds from
escrow and authorization for direct payments of payment of

royalties in a portion of Tract 5 in VC-536070, docket number VGOB-04-0921-1337-04. All parties wishing to testify, please come forward.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Rita Barrett. Again, this is a petition filed...in fact, all of these four petitions today were filed on behalf of Maynard Counts and Range-Resources-Pine Mountain. I don't know that we can combine them because they're all different obviously. This one has to do with the portion of Tract 5.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, do we have the W-9 on this one?

A. We do. Do you need an additional W-9 for this one?

Q. You just gave him one?

A. Yeah.

Q. Okay. And we do have a royalty split agreement between Maynard Counts and Range Resources-Pine Mountain that was attached to the application?

A. We do.

Q. Again, that's for a 75/25 split.

A. Yes.

Q. And, again, we'd draw the Board's attention to the next to the last column, which represents the owner's percentage in escrow?

A. Yes.

Q. And, again, then the owner amount in escrow is calculated as of 12/31 again?

A. Yes.

Q. And would it be your testimony that those percentages are correct?

A. Yes. I'm not sure why we have two separate percentages unless he owns two different interests in Tract 5. I need to confirm that right here.

(Jim Kaiser and Rita Barrett confer.)

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: I need to ask a question of Ms. Pigeon on some of the filing of these documents and the letter that we received from Chris Counts. If Chris Counts is listed as one of the individual heirs in the document and then we get a letter stating that those royalties should be paid to his father, is this letter and the backup information adequate with the disbursement or should we correct the document?

SHARON PIGEON: Could I see that?

DAVID ASBURY: Sure.

SHARON PIGEON: Would that be why you have two percentages because one is listed---?

RITA BARRETT: That's what I was wondering. It looks to be me like what she did is she broke out what we had for Chris Counts initially and then what the new interest for Maynard would be, but I would think that that would be the same percentage and that's what's confusing. I don't know why she has two different percentages on here for Maynard.

DAVID ASBURY: There may be an error in the first disbursement calculations.

RITA BARRETT: I'm not sure what this is.

SHARON PIGEON: Do you have anything that like in front of a notary, for instance, verifying this statement that was made by this individual?

RITA BARRETT: I don't, Ms. Pigeon. He called me. We had a phone discussion and I asked him to put it in writing. I mean, Maynard recognizes, hey, my son wrote this letter. I mean, there's no...I don't think you'd find any conflict from Christopher that he wrote the letter. But I can get...if you need---.

SHARON PIGEON: Well, if the father recognizes it,

he's getting the money.

RITA BARRETT: And the son does too.

SHARON PIGEON: So, that...you know, we expect him to recognize it.

RITA BARRETT: Right.

SHARON PIGEON: Who is vouching for the fact that Maynard's nephew didn't write this instead of Christopher Counts?

RITA BARRETT: I had a conversation...Christopher called and wanted us to change everything internally just based on a phone call. I asked him to put that in writing. I'll be happy to have Christopher get something in writing that is notarized.

SHARON PIGEON: This letter...if it were notarized that it is his signature. But as it stands, you see we have a problem. I could have written this letter.

RITA BARRETT: That's true. I agree with that.

SHARON PIGEON: So, yet the handwriting is much better than mine. I---.

JIM KAISER: We may have rushed these. But, I mean, Maynard Counts was kind really on us to try to get this.

RITA BARRETT: He was.

SHARON PIGEON: Well, with the caveat that you

provide a notarized statement on this, I think we could go forward, but not actually disbursed until you have that because there's no way to verify that Christopher Counts is the person that actually is relinquishing---.

RITA BARRETT: I agree with that. I do. I do. So, I will ask Chris Counts to send me a letter with a notary. That's fine.

SHARON PIGEON: If he does that same thing and notarize it.

BRUCE PRATHER: You couldn't notarize that letter, could you?

RITA BARRETT: I'm sorry?

BRUCE PRATHER: Couldn't you notarized that letter?

JIM KAISER: It might be better if he just does an Affidavit, wouldn't he?

RITA BARRETT: I can't notarize it because I didn't see him write it.

BRUCE PRATHER: No, but, I mean---.

JIM KAISER: It might be better...it probably would be better if we just---.

BRUCE PRATHER: No, no, no, no, no.

SHARON PIGEON: It might compound our problems here.

BRUCE PRATHER: No, let him sign on and initial it

and then you notarize his signature that this is a valid document.

SHARON PIGEON: And affidavit would be fine.

RITA BARRETT: We'll do that. We'll do that.

JIM KAISER: Yeah. Just prepare a simple affidavit that gets notarized.

BRUCE PRATHER: Yeah.

SHARON PIGEON: You could prepare something for his signature to make life simpler for us.

RITA BARRETT: And like Mr. Kaiser said, I think we did probably rush these, but Mr. Counts wants his money.

SHARON PIGEON: And we want him to have it.

BUTCH LAMBERT: We want to have it.

JIM KAISER: Apparently he's calling everyday.

RITA BARRETT: He is. He calls everyday.

SHARON PIGEON: But we want to make sure that the right Mr. Counts has it and in this case we just don't have enough documentation.

RITA BARRETT: Do we continue these then?

JIM KAISER: I would recommend that we---

RITA BARRETT: Yeah, let's just continue these.

JIM KAISER: Yeah. And you might want to go back and unapprove the first one too then, I guess.

SHARON PIGEON: Well, we can either hold that one

until you provide this or rescind the approval, either one.
But it should be disbursed until we do have that.

RITA BARRETT: I agree with that.

BUTCH LAMBERT: Let's hold the one that we have
until we provide the documentation and continue this one
until June.

JIM KAISER: Well, and then the last two also
because they're also Maynard Counts.

SHARON PIGEON: They're all the same.

RITA BARRETT: Yeah, they're also Maynard. You may
get out of here before lunch time after all.

SHARON PIGEON: Well, I hate to hold up anyone's
money, but, you know, we may not need---

RITA BARRETT: I agree. I agree. We were just
trying to accommodate Maynard Counts and I see---

JIM KAISER: He probably will be able to understand
that. I mean, we're just trying to protect him.

RITA BARRETT: Right. Right.

SHARON PIGEON: We're trying to protect really
Christopher Counts. He's the one whose signature not
verified by any other means. So---

RITA BARRETT: Absolutely. And---

SHARON PIGEON: The interest that we show is his
interest. Now, I understand that he's saying it's not, but

I could have written that letter.

RITA BARRETT: That's true. I agree with that.

BUTCH LAMBERT: Thank you. So, the item will be continued until June. Docket number VGOB-98-0324-0642-02 and docket number VGOB-00-0516-0815-04 also will be continued until June.

JIM KAISER: And those will probably...well, I'm not trying to tell you what to do, but maybe we can get those on the front of the docket.

SHARON PIGEON: We're going to probably start moving disbursement requests to the front of the docket. You know, we've had some really long dockets that have gone over and we want to do the disbursements regardless. If the rest of these guys get continued for other reasons, that's--
-.

RITA BARRETT: That's fine with us because we want our property owners to get their money.

BUTCH LAMBERT: Well, we were going to do that at this meeting, but Chairman kind of got sidetracked and forgot to do it.

SHARON PIGEON: It happens.

RITA BARRETT: And you will recall at a previous hearing I asked that our disbursements be moved ahead of our force poolings and we got those in and we did not get our

force poolings in.

BUTCH LAMBERT: Yes, you did. Uh-huh. Okay.

JIM KAISER: Thank you.

RITA BARRETT: Thanks.

BUTCH LAMBERT: The final item on the agenda is approval of last month's minutes.

SHARON PIGEON: We don't have the minutes because we don't have the transcript.

BUTCH LAMBERT: Okay. So, we'll continue that until next month...until June as well.

JIM KAISER: Are we going to...is this our new location?

BUTCH LAMBERT: This is our very new location, yes.

(Discuss the facilities.)

BUTCH LAMBERT: Okay, thank you all. That concludes our docket for this month.

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 in this the 8th day

of June, 2009.

NOTARY PUBLIC

My commission expires: August 31, 2009.