IN THE COUNTY OF RUSSELL:

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD

NOVEMBER 17, 2009

APPEARANCES:

BOARD MEMBERS:
MARY QUILLEN - PUBLIC MEMBER - ACTING CHAIRMAN
KATIE DYE - PUBLIC MEMBER
PEGGY BARBER - PUBLIC MEMBER
BILL HARRIS - PUBLIC MEMBER
DONNIE RATLIFF - COAL REPRESENTATIVE
BRUCE PRATHER - OIL REPRESENTATIVE

DAVID ASBURY - DIRECTOR OF THE DIVISION OF GAS & OIL AND PRINCIPLE EXECUTIVE TO THE STAFF OF THE BOARD
TINA NEAL - STAFF OF THE BOARD

SHARON PIGEON - SR. ASSISTANT ATTORNEY GENERAL

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MARY QUILLEN: Welcome to the Virginia Gas and Oil Board monthly meeting. If you are interested in commenting...if you are interested in the public comments...commenting during the public comments period be sure that you sign up. There's a sign up sheet right here. Please remember to keep your remarks to two minutes. If you have any kind of printed materials, please hand those to Mr. Asbury and he will distribute them to the Board members.

(Board members confer.)

MARY QUILLEN: Remember if you do have any communication devices, please put them...either turn them off or put them on vibrate. If you need to take a call, please be sure that you go to the atrium out in front to take your calls. I'm Mary Quillen acting chair in the absence of Chairman Lambert today. Mr. Harris.

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

PEGGY BARBER: Peggy Barber, a public member, Tazewell County.

KATIE DYE: Good morning. I'm Katie Dye and I'm a public member from Buchanan County.

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

BRUCE PRATHER: I'm Bruce Prather. I represent the

oil and gas on the Board.

DONNIE RATLIFF: I'm Donnie Ratliff. I work for Alpha and represent coal.

DAVID ASBURY: Good morning, David Asbury, principle executive to the staff of the Board and Director of the Division of Gas and Oil. This morning, we have Tina Neal with us recording from the Division of Mines and filling in for Diane Davis.

MARY QUILLEN: Would you hand me the sign up sheet?

(David Asbury passes the sign up sheet to Mary Quillen.)

MARY QUILLEN: If you have...we only have one person who has signed up for public comments. Catherine Jewell.

(Catherine Jewell passes out an exhibit.)

CATHERINE JEWELL: Good morning. My name is Catherine Jewell. First I would like to request that the DGO return to providing a more detailed account of the minutes. The minutes from the past few minutes...months are liking detail and fail to provide an adequate account of the disposition of docket items. If we could return to something that was towards the end of 2008 or early 2009, I would appreciate it. Otherwise, it just says basically this unit was pooled and approved. I think, given that people

use this probably more detail needs to be provided. Again, I'm asking the Board to require individuals who appear before you to speak loud and clear enough so that they can be heard and understood. If that's not possible, please provide microphones and/or accommodations.

Last month, I provided a comparison of gas prices reported on royalty statements by various operators and the index prices. I'd like to have an explanation of these gross differences. This same comparison could have been performed by the royalty statement submitted to the escrow agents for payment into escrow.

Again, I'd like to encourage the DGO and the Board to check payments made into escrow with the full accounting that the operators are required to provide the Board and those receiving disbursements. That is the record of the monthly payments including volume, gas price and deductions should they be carried or participating operators and payments, interest and bank charge. To make sure that these disbursements match with the supplemental order and to make sure that the affidavits of split agreements signed by those receiving disbursements are included in the package.

With respect the bank RFP, Wachovia and Wells Fargo and First Bank & Trust have submitted proposals for the management of the escrow account. I strongly support

First Bank & Trust, which is a home grown institute, headquartered here in Lebanon that has experienced good growth since 1979. In 2009, U.S. Bankers' Top 200 Community Bank List, ranked First Bank & Trust parent company, which First Bancorp as fifteenth in the nation which reported total assets of just short of 1 billion dollars. Many members of my family transferred their accounts from Wachovia to First Bank & Trust last year due to the uncertain status of Wachovia. I would strongly urge this Board to award them the bid.

Thirteen months ago the Federal government was arranging a public-backed shotgun marriage between Wachovia and Citigroup. Wells Fargo stepped in at the last minute to rescue the distressed damsel for $15.4 billion. Citigroup later had to be bailed out by the tax payers. Unfortunately, Wells Fargo is still trying to figure out exactly what they bought and many analysis are questioning the books. I have two fairly recent articles, which I've provided to you.

On several occasions, I have addressed the Wachovia escrow account. I will repeat: It is unconscionable that the entire account, approximately 25 millions was and is FDIC insured fro $250,000. Wachovia-Wells Fargo has ensured this Board that all the money is

collateralized, but what does that really mean? That property or goods are pledged to secure actual dollars. How long would it take to recover this money and how much would be recovered? Wells-Fargo does not even know what they have purchased. How stable is this Bank?

As far as the investments, let’s look at the income lost just over the past 6 months. From May to October 2009, the average monthly account balance was $24,520,386. For this period, the total income reported was minus $18,008 with a monthly average of $3,000...minus $3,001. Ata 1% interest rate, one would expect an income of $122,602 for the 6 month period. If we assume that each month 40% of the estimated 740 accounts received a revenue deposit, and this is not the case by the way, and that $8 was charged per each deposit, we would expect a monthly charge of $2,368 or $14,208 for the 6 month period. In other words even at 1% interest and exaggerated unit, we would still expect an income for this period of $108,394, which is a far cry from the minus $18,008 that occurred.

I don’t know how this money is being invested but it seems to me that no one is at the helm.

At the close of 2007, the escrow account contained only $18,533,981, but earned an income, just for that month, of $61,835. At the close of July 2008, the account

contained $22,019,829 and earned $23,6r42 just for that month alone. At some point, it seems that investment strategies changed and the shop headed for the iceberg.

Cost comparison: In the past it looks like Wachovia-Wells Fargo applies the total monthly charge and interest equally across all accounts based on the beginning balance and revenue additions to each account and the percentage each sub-account bears to the total account. Wachovia-Wells Fargo is proposing a charge of $12 basis points a yearly...12 basis point a year and a monthly charge of $8 per sub-account. For an escrow account with a yearly average of $24,000,000 this amounts to a basis point charge of $28,800 and an estimated annual cost, assuming the 40% of the 740 units had monthly deposits, of $28,416 for a total of $57,216. Additionally, they are proposing a $500 charge for each schedule K-1 form for those electing to participate. If there were only 50 participating operators involved, this would be an additional charge of $25,000.

I believe First Bank & Trust proposes a charge of 10 basis points a year and no per sub-account charge for deposit. This would be an annual charge of $24,000 for an escrow account with an average balance of 24,000,000. I don’t believe they charge for a schedule K-1 form. Additionally, they are not charging per unit. They are

guaranteeing that all money will be FDIC insured, through a program that has been used for years. It's called the millionaire's insurance program. And are guaranteeing an interest of 1% on these accounts. They have experience in managing account similar to these.

In my opinion, the First Bank & Trust proposal is far superior to that of Wachovia-Wells Fargo. Thank you for your consideration and attention to these matters.

MARY QUILLEN: Thank you. The second item on the agenda regarding the escrow service account, that item has been moved until after lunch, I believe. Is that right, Mr. Asbury? Did you want this after lunch?

(No audible response.)

MARY QUILLEN: After lunch. So, we will go to agenda item three. Mr. Kaiser, do you have---?

JIM KAISER: Yes, ma'am.

MARY QUILLEN: Oh, yes.

JIM KAISER: Ma'am Chairman and the Board, Equitable would request that this matter be continued until December.

MARY QUILLEN: The item will be continued until December.

BILL HARRIS: Should we call that number for item three.

SHARON PIGEON: Yeah, she needs to.

MARY QUILLEN: Oh, I'm sorry. I'm sorry. That is...I apologize. Docket number VGOB-09-1020-2619, this item has been continued until December. Agenda item four, docket number VGOB-01-0917-1070-02. This was continued from September.

MARK SWARTZ: Mark Swartz and Anita Duty on behalf of CNX.

FERRELL WHITED: Ferrell Whited, an heir to Columbus Earl Whited's estate.

MARY QUILLEN: Okay. Those wishing to testify, raise your hands and be sworn.

(Anita Duty and Ferrell Whited are duly sworn.)

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. And who do you work for?

A. CNX Land Resources.

Q. And the matter that we're here on at the moment is a petition to release funds from escrow, correct?

A. Yes.

Q. Okay.

DAVID ASBURY: Excuse me, Mr. Swartz, are there---?

MARY QUILLEN: We're one short.

ANITA DUTY: Well, I had to ask Diane to make me copies this morning because I changed this last night at home.

MARY QUILLEN: Oh.

DAVID ASBURY: Do we need additional copies?

BRUCE PRATHER: Well, you can have mine.

DAVID ASBURY: How many do we need, three?

MARY QUILLEN: Yes.

ANITA DUTY: Me and Mark can share.

MARK SWARTZ: Yeah, we'll share here.

ANITA DUTY: I've got one. Me and Mark can share.

DAVID ASBURY: Well, we need three.

MARY QUILLEN: Let's see---.

BRUCE PRATHER: Donnie and I---.

SHARON PIGEON: Does Mr. Whited have a copy?

ANITA DUTY: Yes, he has one.

SHARON PIGEON: Okay.

Q. Okay. You've told us you work for---.

A. CNX Land Resources.

Q. Because their name keeps changing. What's your title with them?

A. Pooling supervisor.

Q. Okay. With regard to this particular matter, AZ-110, this has been continued several times, correct?

A. Yes.

Q. And it turned out that the issue was a formula acreage issue, is that correct?

A. Yes.

Q. Could you tell the Board what has changed from the first filing to the exhibits that they were provided with today?

A. The original application had, hold on, total acres escrowed at 51.47223 when the actual acreage is 50.36490.

Q. Okay. Now, just to reference them. If you look at the title of the exhibits, there is an acreage in the title. The first acreage in the title that you were provided with when this was filed was 51.47223, correct?

A. Yes.

Q. And that acreage number has changed now in the revised exhibit?

A. Yes. It was incorrect from the beginning.

Q. Right. And when you...and when you changed the acreage with regard to the escrow every number with them changed?

A. That’s right.

Q. Okay. So, the cause of the changes that they see in terms of percentages and dollars and so forth are all driven by that one acreage change in the formula?

A. Yes.

Q. Okay. Clear as mud?

(No audible response.)

Q. Okay.

A. And the only individual track that was affected is the very last one Tract 2B. You’ll see the difference in the acreage right there.

Q. Okay. So, if you come down to the very bottom of both exhibits there is a Buck Horn Coal Company, Mary Dye, et al, oil and gas...coal, oil and gas tract, correct?

A. Yes.

Q. And it’s identified as 2B, right?

A. Yes.

Q. And originally what was the acreage assigned to that tract?

A. 10.41.

Q. Okay. And currently what is the acreage assigned?

A. It’s 0.44.

Q. Okay. So, obviously, there’s a substantial change there.

A. Yes.

Q. Okay. When you...in order to do requests for disbursement, what records do you have available to you?

A. We compare the bank’s ledger sheet with the deposits that we sent to them to make sure that they’ve accounted for all of the deposits.

Q. Okay. So, basically, you take your in-house royalty accounting information, which is directly (inaudible) to you?

A. Yes.

Q. And then you somehow obtain the bank’s ledgers for the period in question?

A. Yes.

Q. And did you actually compare those two sets of documents?

A. I did.

Q. Okay. And did you compare them as of a date?

A. September 30, 2009. We had updated it from the previous March.

Q. Okay. So, initially, the first exhibit that they got when this was filed was March the 31st of '09 and as long as we're continuing and coming back, now, your current reconciliation of the escrow account to give the applicants and the Board or the respondents and the Board an ideal of what we're...you know, a closer approximation is now through September the 30th of '09, correct?

A. Yes.

Q. And when you compare your payment records and the bank's deposit records, what did you find?

A. They're all in agreement.

Q. Okay. And as of September the 30th, 09, what was the total amount in escrow in dollars?

A. $55,926.31.

Q. Okay. What tracts are you requesting disbursements from in this application?

A. 1C, 1D, 1E, 1F and 1G.

Q. And in the exhibits that you've distributed today, are those tracts assigned a particular color?

A. Well, they probably won't be able to see it though.

Q. Okay. Because they're black and white

copies.

A. Yes.

Q. Okay. All right. Well, that’s a good answer. With regard to 1C, who are the people that would be receiving disbursements if that tract were disbursed consistent with this request?

A. It would be Buck Horn Coal Company and Goldie Hess and they would each receive 0.1291% of the escrow account.

Q. Okay. And that represents a 50/50 split agreement because their total tract percent of escrow is in the column just to the left and is .2581, correct?

A. Yes.

Q. And you’ve divided that equally between the two of them in the next column?

A. Yes.

Q. And the amount would be the amount of the distribution if it had occurred on September the 30th, correct?

A. Yes.

Q. Okay. And in making a distribution to the folks in 1C, again, the escrow agent should use the percentage as opposed to the dollars?

A. Yes.

Q. Okay. With regard to Tract 1D, who would be the folks that would receive the disbursement?

A. Buck Horn Coal Company and Goldie Hess again.

Q. Okay. And in that...with regard to 1D, what is the tract’s percent of escrow?

A. 58.1357%.

Q. And are we again dealing with a 50/50 split agreement?

A. Yes.

Q. Okay. And what percentage did the escrow agent use with regard to Tract 1D to make the disbursement to these two people or the company and the person?

A. 29.0679% each.

Q. Okay. And your report on exhibit, if that had occurred on September the 30th, there’s a dollar figure there, correct?

A. Yes.

Q. Okay. Moving on to Tract 1E. Who would be the receipts of the disbursement for 1E?

A. It would be Buck Horn Coal Company and the Earl Whited Heirs.

Q. And they’re listed there?

A. Yes. The initial disbursement is to be

paid to Ralph Snead as administrator.

Q. Okay.

A. They don't get paid individually.

Q. Right. And we've done that before?

A. Yes.

Q. Okay. And the folks that you've listed with regard to 1E, so it would be Buck Horn and then the Whited Heirs who are actually listed there?

A. Yes.

Q. Okay. For Buck Horn, what percentage should the escrow agent use to make the Buck Horn disbursement?

A. 0.2482%.

Q. And what percentage should the escrow agent use to make the disbursement to the administrator?

A. 0.2482%.

Q. Okay. So, that, again, is a 50/50 agreement, correct?

A. Yes.

Q. Okay. With regard now to Tract 1F, again, we've got Buck Horn and the Whited Heirs, correct?

A. Yes.

Q. Is this also a 50/50 agreement?

A. It is.

Q. And what percentage should the escrow agent use in making this disbursement first to Buck Horn?

A. 1.6579%.

Q. And then with regard to the Whited Heirs collectively, what should the percentage be that goes to the administrator?

A. 1.6579%.

Q. Okay. And then the last tract that we're seeking to affect by a disbursement out of this account is 1G, is that correct?

A. Yes.

Q. And who are the folks that would receive this disbursement?

A. Buck Horn and the Earl Whited Heirs.

Q. Okay. And, again, the request that the Whited Heirs...that the administrator receive their disbursement collectively?

A. Yes.

Q. And what percentage should the escrow agent use to pay Buck Horn with regard to 1G?

A. 3.0378%.

Q. And the Whited Heirs collectively with regard to Tract 1G? What's the percentage?

A. 3.0378%.

Q. Okay. And is it as usual your request that the escrow account use that percent to make...to account for any deposits subsequent to 9/30/09?

A. Yes.

Q. And are you also requesting that if the Board enters the order allowing these disbursements that the Board allows you to pay the folks that we've identified today with regard to 1C, 1D, 1E, 1F and 1G directly rather than escrowing their funds in the future?

A. Yes.

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

FERRELL WHITED: That's right.

MARY QUILLEN: Mr. Whited?

FERRELL WHITED: That's right.

MARY QUILLEN: Do you accept that?

FERRELL WHITED: Yes.

MARY QUILLEN: Mr. Swartz, do you have anything---?

MARK SWARTZ: That's it.

SHARON PIGEON: That will close these...that will close these tract sub-accounts, correct?

MARK SWARTZ: These tracts, yes. Not the entire... right.

SHARON PIGEON: Just C, D, E, F and G will be completely closed?

MARK SWARTZ: I believe. Correct.

ANITA DUTY: Yes.

BRUCE PRATHER: I have a question.

MARY QUILLEN: Mr. Prather.

BRUCE PRATHER: Was there any money paid out to the other...in other words, under the other basis, was there money paid out to any of these people?

ANITA DUTY: No. Mr. Asbury he always double checks any of our calculations. He actually found my mistake down there in that tract.

BRUCE PRATHER: Oh, okay. Okay.

DAVID ASBURY: Madam Chairman, Mr. Whited had a question about his accounting for tax reasons. Now, is the time to ask that question if you don't have the information that you need.

FERRELL WHITED: It is the percentage they take for transport and that is not showed on our W-9s at the end of the year and I'm requesting that that be showed on our W-9s because if they don't we're paying the taxes on money that we're not receiving.

MARK SWARTZ: I mean, our expectation is that the 1099 is going to show the net that was paid to you on some...I mean, otherwise you're getting a number that you didn't receive. I mean, we'll look into that. But, I mean,

my expectation would be that the 1099 that you generate... you're talking about a 1099 that you get at the end of the year?

FERRELL WHITED: Yeah.

MARK SWARTZ: Okay.

(Mark Swartz and Anita Duty confirm.)

MARY QUILLEN: Do you have copies of that 1099?

FERRELL WHITED: No, this will be our first...my... our CPA has found this and has requested that---.

MARY QUILLEN: Found it where?

FERRELL WHITED: They do taxes for a lot of people that collect this.

MARY QUILLEN: Well, this...what I'm asking, have you received a 1099 from them?

FERRELL WHITED: No, not...not for this year.

MARY QUILLEN: I'm not sure that they could take information for another account and apply it to yours. I believe that probably you would have to compare the 1099 that you received against what you have received as...on your stubs as payment...actual payment.

MARK SWARTZ: The further problem that you've got... now, that I'm thinking about this, usually the first person on the check gets the 1099. So, I think your administrator or the estate is going to get the...you're not

going to get a 1099 because you're not getting a disbursement from Wachovia.

MARY QUILLEN: That's true.

MARK SWARTZ: So---.

FERRELL WHITED: Okay.

MARK SWARTZ: Now, in the future---.

MARY QUILLEN: That's true.

MARK SWARTZ: ---once this estate is closed, I think you will be getting your own 1099 because you'll be receiving direct payments.

FERRELL WHITED: Yeah.

MARK SWARTZ: But this first check, I'm thinking the Estate or Snead will get the 1099 and they're going to have to account to you and your accountant for your piece of that income. But I'd be surprised if can get a 1099 unless this clears and you receive some payments...you know, this year it almost over. So, I'm not sure---.

FERRELL WHITED: Well, that's just questions that has been asked to me by the CPA---.

MARK SWARTZ: Well---.

FERRELL WHITED: ---that they have encountered in the past.

MARK SWARTZ: Well---.

MARY QUILLEN: Have you had any...have you received

any payment previous to this year---?

FERRELL WHITED: No, ma'am.

MARY QUILLEN: ---for any...for any of this?

FERRELL WHITED: No.

MARY QUILLEN: So, you have not...and everything that you are...every bit of business that you have transacted this year has gone through Mr. Snead?

FERRELL WHITED: Yeah...yes, ma'am.

MARY QUILLEN: And he is the...he is the agent that receives that, isn't he?

MARK SWARTZ: Right. I mean, that's...they've agreed to that. They've agreed to it.

MARY QUILLEN: Yes. Right. Yes. He came and he agreed to do that?

FERRELL WHITED: We were forced to agree to it.

MARK SWARTZ: Well, I understand.

MARK SWARTZ: Well, I guess, where I'm coming from, and tell me if you don't understand this and I'll try to work through it with you, but Wachovia only knows the amount of the checks that we paid them. They don't know anything about deducts or costs. All they know is what they got. Okay, so the number that's going to coming out of Wachovia and go to Snead couldn't possibly have anything to do with costs. Is that making sense to you?

FERRELL WHITED: Yeah.

MARK SWARTZ: No, next year, okay, or if you actually directly receive some money between now and the end of the year, that would reflect because it's being paid to you net of costs, that could raise the issue that your accountant is talking to you about. If you share that with me or with Anita, we'll try to satisfy ourselves that you're getting the right number. But this year, I don't...is this making sense to you? I don't see that it's going to be a problem this year.

FERRELL WHITED: Yeah.

MARK SWARTZ: But if you get one that doesn't make sense, get a hold of one of us. You know how to (inaudible).

FERRELL WHITED: I've got your numbers.

MARK SWARTZ: All right.

MARY QUILLEN: And if everything during this business year came to...directly to Mr. Snead from Wachovia, his information is the only one that would be on file with Wachovia because those institutions only send those---.

MARK SWARTZ: And the IRS probably.

MARY QUILLEN: Yeah. So, unless you've got something directly from Wachovia they would have...not have your information to send you or prepare a 1099 for you.

FERRELL WHITED: Until we---.

MARK SWARTZ: Receive it directly.

FERRELL WHITED: ---receive our royalties.

MARK SWARTZ: Right. But then you'll get a 1099 from CNX.

FERRELL WHITED: On the royalties that we receive.

MARK SWARTZ: It should equal the royalties. It should equal the net royalty.

FERRELL WHITED: Yeah.

MARK SWARTZ: I think what your accountant may be talking to you about...just when you get it, you know, if you're confused show it to us. But I think your accountant may be talking about a situation where people actually have a working interest in the unit and there are costs issues and they're getting a K-1 instead of a 1099. But, you know, if you've got question track us down next year and we'll talk to you about it, okay.

FERRELL WHITED: I gotcha.

MARY QUILLEN: Anything else, Mr. Whited?

FERRELL WHITED: That will be all.

MARY QUILLEN: Mr. Swartz?

MARK SWARTZ: We're good to go on this one, I guess.

MARY QUILLEN: Okay. Do I hear a motion?

DONNIE RATLIFF: Motion to approve, Madam Chairman.

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. All in favor, please respond by saying yes.

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

MARY QUILLEN: Opposed, no.

(No audible response.)

MARY QUILLEN: Motion---.

KATIE DYE: Abstain.

MARY QUILLEN: Oh, I'm sorry.

KATIE DYE: I'm sorry.

MARY QUILLEN: Motion carries. One abstention, Mrs. Dye.

DAVID ASBURY: Anita, thank you for your work on this.

ANITA DUTY: No problem. Thank you.

MARY QUILLEN: The next item on the agenda is VGOB docket number 08-0715-2280.

MARK SWARTZ: That's not us.

BRUCE PRATHER: No, that's Appalachian.

MARY QUILLEN: No, that's Appalachian.

JIM KAISER: Madam Chairman and Board members, Jim Kaiser and Justin Phillips on behalf of Appalachian Energy.

(Justin Phillips is duly sworn.)

MARY QUILLEN: You may proceed, Mr. Kaiser.

JIM KAISER: Madam Chairman and Board members, we're here to correct some testimony from a previous hearing. This is a unit that we force pooled in July of 2008.

JUSTIN PHILLIPS

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Phillips, if you would state your name, who you're employed by and in what capacity.

A. Justin Phillips. I'm land manager of Appalachian Energy, Inc.

Q. And after reviewing the transcript of that hearing, would it be your testimony that in answer to my question regarding whether or not there was escrow for this unit, your answer was no, that none was required?

A. That's what the testimony was.

Q. Right. And we're here today to correct

that testimony. And can you tell me how we wish to correct that? Is there a need to escrow Tract 1?

A. That's correct. The name is Dorothy Compton Sprague. The exhibit was correct. It was just my mistake in our question preparation that we incorrectly answered that question. She should be escrowed and currently we have that amount in-house and we contacted Mr. Asbury's office on how best to pay that and they provided us with a rate sheet from Wachovia to ensure that all of the royalty owners in that drilling unit would be paid correctly once we pay this to Wachovia on or about December the 15th of next month.

Q. And in this particular case, this just an interest in the gas that is in conflict with the coal estate, is that correct?

A. That is correct.

Q. Okay.

DAVID ASBURY: Tract 1?

JIM KAISER: Tract 1.

MARY QUILLEN: Tract 1, uh-huh.

DAVID ASBURY: And the original Exhibit E is correct?

JUSTIN PHILLIPS: It is correct.

JIM KAISER: Yes, sir. The testimony was just

incorrect.

DAVID ASBURY: Thank you.

MARY QUILLEN: Mr. Kaiser, do you have anything further?

JIM KAISER: Nothing further. We'd just ask that the Board establish an escrow account to account for the proceeds attributable to Tract 1 in that unit.

MARY QUILLEN: Do I hear a motion?

KATIE DYE: Motion to approve.

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. All in favor, respond by saying yes.

(All members signify by saying yes, but Mary Quillen.)

MARY QUILLEN: Opposed, no.

(No audible response.)

MARY QUILLEN: Motion carries.

JIM KAISER: Thank you.

MARY QUILLEN: And that escrow account will be established.

JUSTIN PHILLIPS: Thank you.

MARY QUILLEN: Thank you. Our next item on the agenda is docket number VGOB-...excuse me, VGOB-03-1021-1208-01. This is for disbursement of funds from escrow.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Okay, Anita, you need to state your name for the record, again.

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And what is your job title with them?

A. Pooling supervisor.

Q. What did you with regard to the preparation of the tract by tract escrow calculation exhibit with regard to this request that we have on the docket today?

A. We compared our...the checks that we mailed to Wachovia and compared as their balance sheets and make sure that had accounted for each deposit.

Q. Okay. And when you made that comparison, did you make it as of a date?

A. September the 30th, 2009.

Q. Okay. And when you compared the bank's records to your payment...the bank's deposit records to your payment records, what did you find?

A. They were all accounted for.

Q. And as of 9/30/09, what was the total amount in this escrow account for this particular Tract FF-39?

A. $261,351.80.

MARY QUILLEN: Mr. Swartz, may I interrupt you just for a second?

MARK SWARTZ: Sure.

MARY QUILLEN: This is in...thee agenda is unit FF-39 and this information is -38.

ANITA DUTY: I'm on 38 and everybody else is on 39. I'm sorry.

MARK SWARTZ: Well, she just gave me a number that caused me to conclude that somebody was on the unit because it was more than double what I was looking at. I'm like, well, that's cool. We just found a $100,000, you know.

(Laughs.)

ANITA DUTY: Just save those for next time.

MARY QUILLEN: Yes. That's the next item.

BILL HARRIS: We can keep these?

MARY QUILLEN: So, don't (inaudible), yes.

MARK SWARTZ: Well, keep them because...and maybe we should...as long as you're going to have both sets, why don't you call the next one as well because it's exactly the same people and the same split agreement. It's just two

different tracts or two different units.

MARY QUILLEN: Very good.

ANITA DUTY: I'm sorry.

MARY QUILLEN: We will call agenda item seven, docket number VGOB-03-1021-1207-01.

MARK SWARTZ: Okay. And this is FF-38 and appearing on this one would be Mark Swartz and Anita Duty as well.

ANITA DUTY

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SWARTZ:

Q. So, now that we've put these together, let me ask a couple of different questions to show the relationship and then we'll come back to the exhibits. Anita, do these two applications be disbursements with regard to FF-39 and FF-38 involve the same people that would be receiving the funds?

A. Yes.

Q. And who are the people that would be receiving the funds?

A. Coal Mountain Mining Company and James M. Short.

Q. Okay. And have they entered into a split

agreement?

A. It was a deed of confirmation.

Q. Okay. Well, their deed though established the split, did---?

A. Yes.

Q. ---it not?

A. Yes.

Q. Okay. And they essentially entered into a deed wherein they conveyed to each other a percentage and agreed that they were going to split the coalbed methane on that basis, correct?

A. Yes.

Q. And there’s a recorded deed that says that?

A. Yes, there is.

Q. And you’ve seen it?

A. Yes.

Q. Okay. And what...and you can refer to the...let’s start with 39. Let’s look at FF-39, which is docket number six. With regard to that, you’re showing not an equal split for Tract 1G, correct?

A. That’s right.

Q. All right. And are the percentages that you’ve used per the agreement that you’ve reviewed?

A. It is.

Q. Okay. Has Mr. Short requested that someone be paid other than himself?

A. He has asked that the payment go to his attorney.

Q. Okay. And he made that request to you in writing?

A. Yes.

Q. And who is his attorney?

A. It's C. R. Bolling.

Q. Of a law firm?

A. Of Bolling, Hearl and Ratliff.

Q. And what's their post office address?

A. P. O. Box 1250, Richlands.

Q. And their zip?

A. 24641.

Q. Okay. And with regard to FF-39, there's only one tract subjected to the disbursement request?

A. Yes.

Q. And Coal Mountain would receive a portion of the disbursement?

A. Yes.

Q. And what percentage of the amount escrowed at the time of the disbursement should Coal Mountain be paid?

A. 8.44329%.

Q. Okay. And who should received the other disbursement?

A. It’s James M. Short.

Q. But to his attorney...to his law firm, correct?

A. Yes.

Q. Okay. And what percentage to the escrow agent use in making the disbursement to Mr. Short in care of his law firm or the law firm?

A. 22.25957%.

Q. Okay. And the approx...well, the amounts that these percentages would represent as of 9/30/09 are reported in the last column, correct?

A. Yes.

Q. But, again, as usual, your request is that the Board direct the escrow agent to use the percentages that we’ve just read into the record at the time of the disbursement?

A. Yes.

Q. And that would capture further deposits into this account?

A. It would.

Q. Okay. And also capture further deductions

for costs?

A. Yes.

Q. Okay. Coming back to sort of where we started, what amount was in this FF-39 escrow account as of 9/30/09 after you checked the records?

A. $104,387.77.

Q. Okay. And did you compare the bank's deposit records with the operator's payment records with regard to this escrow account?

A. Yes.

Q. And when you compared them what did you find?

A. They were in balance.

Q. Okay. And with regard to Coal Mountain and James M. Short in the future, if the Board authorizes this disbursement, is it your request that the Board allow the operator to pay these folks directly with regard to Tract 1G?

A. Yes.

MARK SWARTZ: That's all I have, Madam Chairman on this one. And then I perhaps could go to the other one as well.

Q. Let's turn to the FF-38 spreadsheet. FF-38, again, we've got Coal Mountain and Mr. Short, correct?

A. Yes.

Q. And has Mr. Short requested that the disbursement if it’s made from FF-38 also go to C. R. Bolling?

A. Yes.

Q. Okay. This...how much was in...well, when is...when did you balance this...what was the date?

A. September the 30th, 2009.

Q. Okay. And at the time that you balanced FF...the escrow account for FF-38, what was the amount in the account?

A. $261,351.80.

Q. Okay. And when you balanced the account, what records did you have available to you?

A. We compared our internal records to the bank’s records to make sure all of the deposits were accounted for.

Q. Okay. And after you made the comparison of what you paid and what the bank showed as deposited, what did you learn?

A. They were in balance.

Q. Okay. And in this instance, we have the same deed of confirmation agreement with regard to the split?

A. Yes.

Q. Okay. And what percentage should the escrow agent use in making a disbursement from the escrow account of FF-38 to Coal Mountain?

A. 14.07455%.

Q. And what percentage should the escrow agent use to make the James M. Short disbursement to C. R. Bolling?

A. 37.10564%.

Q. And you show in the last column the amounts that would have been generated if you applied these percentages to the total in the escrow account as of 9/30, correct?

A. Yes.

Q. Okay. And are you also requesting with regard to Tract 2B and these two owners that if this escrow disbursement is made that after it's made the operator be allowed to pay Coal Mountain and Mr. Short directly with regard to Tract 2B?

A. Yes.

MARK SWARTZ: That's all I have.

MARY QUILLEN: I just have one question. In the previous one, is this also the case that they would be paid directly from that---?

MARK SWARTZ: Yes. After the disbursement.

MARY QUILLEN: After that disbursement?

MARK SWARTZ: Correct, yes.

MARY QUILLEN: Okay.

MARK SWARTZ: Yes.

MARY QUILLEN: Any questions from the Board?

BILL HARRIS: Madam Chairman.

MARY QUILLEN: Yes?

BILL HARRIS: Just a quick question. What was the percentage agreement between the two? I didn't bring a calculator this time. Was it like one-third and two-thirds or was it---?

ANITA DUTY: No. Well, 27 & ½ to Coal Mountain and 72 & ½ to James Short.

BILL HARRIS: Okay.

ANITA DUTY: I don't know.

MARK SWARTZ: Yeah, we don't know how it got there, but that's the where they wound up.

BILL HARRIS: Thank you. I just curious.

DAVID ASBURY: The address for C. R. Bolling?

ANITA DUTY: I've got you a letter and a---.

DAVID ASBURY: Okay.

ANITA DUTY: ---W-9 to go with it.

DAVID ASBURY: Thank you very much.

MARY QUILLEN: Any other questions?

(No audible response.)

MARY QUILLEN: Do you have anything further, Mr. Swartz?

MARK SWARTZ: No, I do not.

MARY QUILLEN: Okay. We will vote on this one at a time. The first was FF-39. Do I hear a motion?

BILL HARRIS: Motion for approval.

MARY QUILLEN: Is there a second?

PEGGY BARBER: Second.

MARY QUILLEN: All in favor, respond by saying yes.

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

MARY QUILLEN: All in favor...excuse me, all opposed, no.

KATIE DYE: Abstain.

MARY QUILLEN: Okay. We have a motion and a second. And the vote to approve the motion. One abstention, Mrs. Dye. The second one we will vote on is FF-38. Do I hear a motion?

DONNIE RATLIFF: So moved, Madam Chairman.

MARY QUILLEN: Second?

PEGGY BARBER: Second.

MARY QUILLEN: I have a motion and a second. All

in favor, signify by saying yes.

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

MARY QUILLEN: Opposed, no.

KATIE DYE: Abstain.

MARY QUILLEN: Motion carries. One abstention, Ms. Dye. Your motion is approved for both agenda items. The next item on the agenda is number eight. VGOB-05-0315-1415-01. Request for disbursements of funds from escrow.

MARK SWARTZ: Mark Swartz and Anita Duty.

MARY QUILLEN: Okay. Do you wish to testify?

TIVIS BROWN: I've got some comments that I wish to make on this. I have some questions on this escrow.

MARY QUILLEN: Okay. You'll need to raise your hand and be sworn.

(Tivis Brown is duly sworn.)

COURT REPORTER: Your name, please.

TIVIS BROWN: Tivis Brown from Swords Creek, Glen Springs Road.

DAVID ASBURY: May we have your address, Mr. Brown?

TIVIS BROWN: Sir?

DAVID ASBURY: May we have your address?

TIVIS BROWN: 4991 Glen Springs Road, Swords Creek, Virginia.

DAVID ASBURY: What's the zip?

TIVIS BROWN: I'm awfully hard of hearing.

DAVID ASBURY: What's the zip code.

TIVIS BROWN: 24649.

DAVID ASBURY: Thank you.

MARY QUILLEN: Did you have anything else, Mr. Asbury?

(No audible response.)

MARY QUILLEN: Mr. Swartz, you may continue.

MARK SWARTZ: Okay.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name for us, Anita.

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And what do you do for them?

A. Pooling supervisor.

Q. With regard to this petition...miscellaneous petition to release some funds from escrow, did you make any calculations or balance and payment comparisons?

A. Yes.

Q. And did you make those comparisons as of a date certain?

A. September the 30th, 2009.

Q. Okay. And did you compare the payment records of the operator to the deposit records of the bank?

A. I did.

Q. And when you made that comparison, what did you determine?

A. They were in balance.

Q. What tract is affected by this request for disbursement?

A. Tract 1B.

Q. That’s B as in boy, right?

A. Yes.

Q. Okay. And who are the people that would receive the disbursements?

A. Swords Creek Land Partnership and Donald Richardson.

Q. And do they have a split agreement?

A. They do.

Q. Have you seen it?

A. Yes.

Q. And is it a 50/50 agreement?

A. Yes.

Q. And what percent of the amount in escrow with regard to AZ-123 pertains to Tract 1B?

A. 29.53664%.

Q. Okay. And then the percentages that would go to the individuals they would receive an equal share and what percentage should be use to calculate each one-half share?

A. 14...oh, 50% in lieu of equal 14.76832% each.

Q. And the request again would be that the escrow agent use the 14.76832% in making the disbursements to these two folks and apply those percentages to the balance at the time of the disbursement?

A. Yes.

Q. And is it also your request that after the Board makes disbursement to Swords Creek and Donald Richardson, assuming this application is approved, that the operator then be allowed to pay them directly rather than escrowing their money?

A. Yes.

Q. And it looks like after the disbursements this account will need to be maintained because there’s some additional funds on deposit that haven’t...that there’s no

agreement as of yet?

A. That's correct.

Q. And so Tract 1E would continue to require escrow?

A. Yes.

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

MARY QUILLEN: Did you have...you said you had some questions.

TIVIS BROWN: Yes, ma'am. Right now all the escrow moneys are handled through Wachovia/Wells Fargo, right? All escrow accounts are handled in the same way?

MARY QUILLEN: Yes, sir.

DAVID ASBURY: Yes, sir.

TIVIS BROWN: Is there any time limit as to when a person can sign up to get his money out of escrow? No way that that money can go to no one else at this time except it go to the individual after they prove that the land belongs to them and where the money has been escrowed off of?

DAVID ASBURY: Do you want me to address that, Madam Chairman?

MARY QUILLEN: Please.

DAVID ASBURY: Mr. Brown if there is a conflict due to deed or title or if there is a conflict between coal and gas then those moneys are paid into escrow until one of two

things happen. A split agreement is made between the parties or a Court decision in the Circuit Court where the property resides a decision is made by the Court of who owns that property. Once that decision is made then...let's say it's a split agreement, both parties then can bring with Affidavit that split agreement to the gas owner or to our office and the Board then within thirty days or the next available Board meeting be compelled to disburse the money. After that time, the individuals are paid directly based on that split agreement or the Court decision. While each unit is active in this escrow account that the Board control, the money doesn't come out until one of those two things happen. It cannot go to anybody else. The one caveat there is if the account becomes dormant for more than a year in Virginia, then it become...it could become part of unclaimed properties. That it is does then it could go under the unclaimed properties for the State of Virginia. But at any time that a dispute or conflict is settled or parties become known, their money is still part available to them. All they have to do then is petition the unclaimed properties segment of the state rather than the Board escrow.

TIVIS BROWN: The reason I asked this question, at one time, a lot of people owned the land, but it was in doubt as to who owned the mineral rights. Back to begin

with, nobody was concerned about gas and oil in this part of the country. It was coal. They owned it. So, at that time it was consented that they felt like they owned the gas and oil rights too. But about three years ago, the State of Virginia made it a law that minerals owned the coal and all mineral rights wouldn't excepted belonged to the land owner. My question is, why don't...why don't the gas and oil company go ahead and pay these people where they're escrowing their money. The reason I say that, I have gas and oil rights. I own all mineral rights on one piece of my property. I was there at the Board meeting when they gave my rights away to the gas and oil company without my consent. I was protesting it. So, they didn't pay me none for two years. So, I come before the inspector over there and I asked him did he have the right to...you know, to shut down or do things under the law. He told me he did. I said, well, you was present at this time when the gas and oil Board give my gas and oil rights away to the gas company. I said it has been two years now and they have not paid me. Well, he said, would you give me a few days? I said, yes, sir, I will. I said, it has been two years. In a few days I got a check for twenty-seven hundred dollars. I never leased my rights away. They give them away. My question is on this escrow account, why don't they go ahead

and pay the people since they know who owns the land. I didn't have to sign nothing to get my money off of my property.

DAVID ASBURY: Do you want me to address---?

MARY QUILLEN: Please respond to that.

DAVID ASBURY: There's several elements that needs to be explained. One is the State of Virginia to protect correlative rights establishes a gas unit. This is an example of one. It's a plat. There's several acres in this gas unit. Several gas ownership, surface ownership and things like that.

TIVIS BROWN: yes, sir.

DAVID ASBURY: This one has one, two, three, four, five owners. Okay, when a gas operator or a gas owner, even an individual gas owner would come before the Board, they can petition the Board to designate them a unit operator or a gas producer in this particular acreage. Now, let's say that you wanted to do that and you came before the Board and you were designated gas unit operator. Then the next thing you would do is try to lease the property or acreage in this particular gas unit. Based on state law, you can...if for nature gas if you can control more than 25% of this unit, you can produce this unit, which means if out of the five gas owners in this unit, you've got two and there's three

that wouldn’t lease with you. Because the Board has given you the rights to produce gas from this unit, you have the right to produce...put a well on property that you have a right to be on and to produce that gas. Now, the other three property owners that may not have leased to you may be in conflict. They are unleased parties and/or they could be coal owners as well. Those are legal conflicts. If you own your gas and someone drills a natural gas and you give them the right to produce that, you would get paid directly if you have a lease with that gas company. If you own your gas and there’s a coal seam and they’re producing coalbed methane on this unit, the coal owner could claim the gas in the coal seam. That’s a legal conflict. And when there are legal conflicts between the gas owner and the coal owner for coalbed methane, the Board allows and the state allows gas to be produced and the funds for payment go into escrow until such time that that legal conflict is resolved. The Board does hear that conflict. The legal conflict of gas ownership is like a property or a deed problem. Those things are either settled between the parties for the coal and the gas owners who come to a mutual agreement and that’s called a split agreement or they take their case before the Circuit Court in the county where this property is and all of the evidence from counsel and from you are presented to

the Court and then the Court makes a decision. Once either one of those things happen, that decision...those decisions or agreement comes before this Board and they'll disburse the money that has been accumulating while this legal conflict is in place. Now, if you're a gas owner, you remain a gas owner. One of the things that's important to know, if you own gas on your property, you can...even if you're force pooled, if there's a conflict between you and coal owner, you get what's called a supplemental order from the gas company. That order has election potentials that you can elect to be a full partner or a full gas owner part in this unit. That is a business decision for you and your family or whoever owns the gas. That decision to participate in all eight-eights of that working interest of your gas in the unit is just like any other business decision. It has risk. They can drill a dry hole and you would be liable for payment for drilling that hole. So, it has risks, but it also has benefits...financial benefits. It's just like any other business decision that you would approach. You have to understand risk liabilities and benefits. But the supplemental order that this Board provides each gas owner who are in conflict and goes into the escrow account is provided that election and the opportunity to fully participate. So, you get the full

opportunity as a gas owner to help produce your gas with the gas producer. So, if it is correct that the State of Virginia allows under the Virginia Gas and Oil Act of 1990 force pooling from gas unit because they recognize energy is important. But in so doing with this unitization they also protect correlative rights like yourself who are gas owners. You have those rights. As a surface owner, you have those rights unless they have been severed from a deed or some other action taken.

TIVIS BROWN: I thank you. I've got a couple of other questions. It don't exactly pertain to the escrow part. I believe that you might be able to answer---?

MARK SWARTZ: Excuse me. You know---.

TIVIS BROWN: ---how close to the cemetery---?

MARK SWARTZ: ---Tivis---.

TIVIS BROWN: ---can they put a gas well?

DAVID ASBURY: Gas wells can be within 200 feet of structures.

TIVIS BROWN: 200feet.

DAVID ASBURY: Gas wells. Now, the pipelines can be closer.

TIVIS BROWN: How about the structures that are built close to your property?

DAVID ASBURY: If the gas owner has rights on that

property, they have rights to put structures on the property as long as it is on the property bounds even if it's close to your property.

TIVIS BROWN: The reason I ask that, some of the structure that they put up, a lot of people don't like to live close to it. That's the reason I asked the question about how close they can get to your property.

DAVID ASBURY: Yes, sir. I hope my answers have been helpful to you.

TIVIS BROWN: You certainly have and I thank you.

DAVID ASBURY: Okay. Thank you, Mr. Brown.

MARY QUILLEN: Thank you, sir. Mr. Swartz.

MARK SWARTZ: Anita, is Mr. Brown in this unit?

ANITA DUTY: No.

MARK SWARTZ: It's sort of in the nature of a public comment opportunity apparently. It's okay. Do we have anything else?

ANITA DUTY: No.

MARK SWARTZ: Okay. We have nothing further.

MARY QUILLEN: Do I hear a motion?

DONNIE RATLIFF: Move to approve, Madam Chairman.

MARY QUILLEN: Second?

BRUCE PRATHER: Second.

MARY QUILLEN: We have a motion and a second to

approve. All in favor, signify by saying yes.

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

MARY QUILLEN: Opposed, no.

KATIE DYE: Abstain.

MARY QUILLEN: The motion carries. One abstention, Mrs. Dye. Okay, agenda item nine, docket number VGOB-06-0516-1631-01, request for repooling. Mark Swartz.

MARK SWARTZ: Mark Swartz and Anita Duty on this one. We've got some revised exhibits.

(Anita Duty passes out revised exhibits.)

MARY QUILLEN: I have just one question before we start. Is this AZ-103 or 103A.

MARK SWARTZ: Well, there's a well...there are two wells in the unit. One of them...the unit is AZ-103. There are two wells. One would be 103 and one would be 103A.

MARY QUILLEN: Okay.

MARK SWARTZ: I don't know if that helps.

MARY QUILLEN: Yeah. Okay, you may continue, Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, could you state your name?

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. What do you do for them?

A. Pooling supervisor.

Q. This is an application to repool this unit, correct?

A. Yes.

Q. And it was initially pooled back in ‘06?

A. Yes.

Q. And the reason that it’s being repooled, if we look at the plat, it probably would be easier to do that, there’s a road that cuts through the unit, state road 625, correct?

A. Yes.

Q. And what about state road 625 has caused us to repool?

A. We’ve had to include VDOT in the ownership and they weren’t originally pooled.

Q. So, it turns out that VDOT actually acquired mineral rights under 625?

A. Yes.

Q. And that would have changed the percentage

of all of the folks that road crossed?

A. That’s right.

Q. Because it would have gone to VDOT. So, we’re protecting the Commonwealth here. We’re vindicating their rights, right?

A. That’s right.

Q. Okay. And is that the only reason we’re repooling?

A. Yes.

Q. I know we have some revised exhibits. Do those pertain just simply straightening out title because we’ve had a death of one of the owners?

A. Yes.

Q. And so with regard to the revised exhibits today, we’ve got a B-2 and we were showing the changes involving the two heirs?

A. Yes.

Q. And when you have...you’ve modified B-3 accordingly?

A. Yes.

Q. And then you would have also modified Exhibit E accordingly?

A. Yes.

Q. Okay. Whose the applicant here on this

petition?

A. CNX Gas Company.

Q. Is CNX Gas Company, LLC a Virginia Limited Liability Company?

A. Yes.

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

A. Yes.

Q. Who is the designated operator under the existing pooling order?

A. CNX Gas Company.

Q. And is CNX Gas Company in that regard registered with the Department of Mines, Minerals and Energy and the Division of Gas and Oil?

A. Yes.

Q. Does CNX Gas Company have the required bonds on file?

A. It does.

Q. Okay. What...you've acquired interest in this unit in the past, correct?

A. Yes.

Q. And you're seeking to pool a portion of those...of the interest in this unit, is that correct?

A. Yes.

Q. What interest have you been able to acquire and what interest are subjected to pooling in this application?

A. We've acquired 100% of the coal claim and 92.1861% of the oil and gas claim. We're seeking to pool 7.8139% of the oil and gas claim.

Q. Okay. And have you listed or have you listed except for Exhibit...the changes in Exhibit B-2 when you sent this out, did you list everyone in the notice portion and mailed to everyone?

A. Yes.

Q. And in response to your mailings is that how you determined there had been a death?

A. Yes.

Q. Okay. When you mailed, did you mail certified mail and include all of the paperwork?

A. I did.

Q. Okay. And did you also publish?

A. Yes.

Q. When did you mail?

A. October the 16th, 2009. Published in the Bluefield Daily Telegraph on October the 28th, 2009.

Q. Okay. And when you published in the newspaper, do you include the A-1 map and the notice?

A. Yes.

Q. Okay. Have you provided or are you going to provide today certificates with regard to mailing and your proof of publication to David?

A. Yes.

Q. Okay. Do you want to add anybody as a respondent today other than---?

A. Only those...no, not---.

Q. Other than the folks on B-2?

A. No.

Q. Okay. Do you want to dismiss anybody other than the person on---?

A. No.

Q. Okay. So, we're good to go with the revised exhibits?

A. Yes.

Q. Okay. With regard to the folks that you've been able to lease in this unit, are there standard lease terms that you offer to those people?

A. Five dollars per acre per year with a five year paid up term and a one-eighth royalty.

Q. Okay. And would you recommend those terms to the Board to be incorporated in any order it might enter with regard to folks who are deemed to have been leased?

A. Yes.

Q. Okay. Is this a Nora unit?

A. Yes.

Q. How many acres?

A. 58.78 acres.

Q. And how many wells are in this unit?

A. Two.

Q. Okay. And the total cost of the two wells is $624,183.21, is that correct?

A. Yes.

Q. And could you break out each well...have you provided information with regard to each well for the Board?

A. For AZ-103, the estimated cost $225,282.12, depth 2,771 feet with a permit number 7357. For AZ-103A, $398,901.09, depth 2,701 feet with permit 10,156.

Q. And are both of these...strike that. One of the wells is in the window and one of them is out of the window, correct?

A. Yes.

Q. Okay. Are both of them frac wells?

A. Yes.

Q. Okay. Are there escrow requirements?

A. Yes, for 1A, 1B, 1C, 1D, 1E, 1F, 1H, 1J and

1M.

Q. Okay. And in general, is the escrow requirement because of conflicts?

A. Yes.

Q. And are there also several tracts where you have unknowns?

A. Yes.

Q. And the tracts for the unknowns, which would be a second reason to escrow, would be 1C, 1D and 1F, is that correct?

A. Yes.

Q. Okay. Are there some split agreements with regard to this unit?

A. There are.

Q. Have you listed the folks that have split agreements in Exhibit EE?

A. Yes.

Q. And what tracts do those agreements affect?

A. 1A, 1B, 1C, 1D, 1F, 1G, 1H, 1I, 1K and 1L.

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

A. Yes.

Q. And is it your further opinion that if you

combine a pooling order with regard to the outstanding roughly 7.8% interest in this unit, you combine that with the leasing and acquisition efforts that the applicant has been successful in obtaining, that the correlative rights of all owners and claimants would be protected?

A. Yes.

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

SHARON PIGEON: Mark, do you address why we have a revised Exhibit C?

ANITA DUTY: I forgot to sign the one that was in the application.

SHARON PIGEON: Okay.

MARK SWARTZ: So, it's the same except it has a signature?

ANITA DUTY: Right.

SHARON PIGEON: Very good. Excellent. He could have told us.

MARK SWARTZ: Well, see with eight of you looking at stuff, there's always this thought that you might catch something. So, we try to be prepared, you know.

MARY QUILLEN: I had it marked in my packet and I didn't---.

MARK SWARTZ: There you go.

MARY QUILLEN: When I saw it was signed...

MARK SWARTZ: That's all I have.

MARY QUILLEN: Is there a motion?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second?

PEGGY BARBER: Second.

MARY QUILLEN: All in favor, respond by saying yes.

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

MARY QUILLEN: Opposed, no.

KATIE DYE: Abstain.

MARY QUILLEN: Motion carries. One abstention, Ms. Dye. Okay. The next agenda item, number ten, docket number VGOB-09-1117-2625, a location exception and pooling. Mr. Swartz.

MARK SWARTZ: Mark Swartz and Anita Duty, again.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Okay, Anita, could you state your name for us?

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

MARK SWARTZ: Madam Chairman, if I could incorporate Anita's testimony from the previous hearing with regard to the applicant and operator, her employment and standard lease terms, I'd like to do that.

MARY QUILLEN: It will be incorporated.

MARK SWARTZ: Thank you.

Q. Anita, this pertains to unit number N-0, correct?

A. Yes.

Q. And in this instance, we're seeking to pool this unit and also asking for a location exception to put the well outside of the window?

A. Yes.

Q. Okay. Have you...why don't you give the Board...we've got a topo map, which kind of zeroes in on why we've picked the location that we have and we'll come back to that. Anita, have you listed all of the responds in the notice of hearing and Exhibit B-3 with regard to this unit?

A. Yes.

Q. And why did you do to let those respondents and other people know that there was going to be a hearing today?

A. Mailed by certified mail, return receipt requested on October the 16th, 2009. Published the notice

and location map in the Bluefield Daily Telegraph on October the 28th, 2009.

Q. Okay. And do you want to add any folks as respondents today?

A. No.

Q. Do you want to dismiss any of these respondents?

A. No.

Q. Okay. Have you or are you going today provide to David copies of your certificates with regard to mailing and a copy of the proof of publication that you got from the newspaper?

A. Yes.

Q. Okay. Is there a revised exhibit so that the Board has that in mind as we go through this...your testimony today?

A. It’s actually a new exhibit. It wasn’t included originally.

Q. A new exhibit, okay. So, you’ve got a new exhibit for them, which is in Exhibit E, correct?

A. Yes.

Q. And it addresses the escrow requirements and we’ll come back to that, right?

A. Yes.

Q. Okay. Let’s turn the location issue first. If you look at the topo map with me, Anita, or the unit map, there is a road which sort of runs through the drilling window of the western portion of the drilling window, correct?

A. Yes.

Q. And there a number of homes or dwellings that are mapped on here?

A. Yes.

Q. And, for example, 1D is almost in the center of the unit?

A. That’s right.

Q. Well, by 1D there’s a building?

A. Yes.

Q. Okay. Almost in the center of the unit. And if you look at the topo map in relation to that building that’s near tract ID 1D, we’ve got some pretty serious terrain issues?

A. Yes.

Q. Okay. And if you go over to the place that’s in...obviously, in the unit but outside the drilling window, it looks like you’ve selected a knob or the only flat spot really over in that area, correct?

A. That’s right.

Q. Okay. And is that the houses and then the topography the reason for the request?

A. It is.

Q. Okay. And you've shown on the topo map, you've shown mining in the area but mining really isn't the issue here. It's the dwellings and the topography.

A. That's right.

Q. Okay. But the blue sections is underground mining, not immediately in the area, but close?

A. Yes.

Q. Okay. And is that then the sum total of the reasons for your location exception request?

A. It is.

Q. Okay. With regard to the pooling, what interest have you been able to acquire in this unit and what are you seeking to pool?

A. We require 99.6605% of the coal, oil and gas claim. We're seeking to pool 0.3395% of the coal, oil and gas claim.

Q. And there obviously must be an escrow requirement because you've come forward with an Exhibit E, correct?

A. Yes.

Q. And what tracts require escrow?

A. Tract 3.

Q. Okay. And are there two reasons or only one reason?

A. Just because they're unknown or unlocateable.

Q. Okay. So, the only---?

A. Just the one.

Q. The only escrow reason or basis for escrow is the three folks that you've identified on the coal side and the oil and gas side is unknowns?

A. Yes.

Q. Okay. And if we could find them, we could pay them?

A. That's right.

Q. There's no conflict?

A. No.

Q. Have you provided the Board with a...strike that. What's the nature of this unit? It's an Oakwood, right?

A. Uh-huh, yes.

Q. 80 acres?

A. Yes.

Q. And are you proposing a frac well?

A. Yes.

Q. Okay. And with regard to that frac well, have you provided the Board with a well cost estimate?

A. $284,577.31.

Q. And that proposed...or estimated depth?

A. 2,514 feet.

Q. I take it you don't have a permit yet?

A. No. Pending the location exception.

Q. Because you needed the exception?

A. Yes.

Q. Okay. No split agreements?

A. No.

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

A. Yes.

Q. And is it your further testimony...opinion testimony that if you combine a pooling order pooling the respondents that you've identified today with the folks that you've been able to acquire interest by lease or by purchase that the correlative rights of all owners and claimants to the CBM will be protected?

A. Yes.

Q. We've said there are no split agreements, correct?

A. Right.

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

MARY QUILLEN: For the record, we would like to enter this topo as Exhibit AA.

MARK SWARTZ: That works.

MARY QUILLEN: Are there any questions from the Board?

DAVID ASBURY: Madam Chairman, the Division in the permitting process we're faced numerous times with permits like this one. I appreciate CNX bringing this before the Board. Does the Board have any other direction if we are faced...in the Oakwood and Nora Fields are coalbed methane. In the past it's given the Division an opportunity to make location exception decision. But with terrain and issues like this, is there any additional guidance or questions that the Board might have as we proceed with such location exceptions like that presented before you?

MARY QUILLEN: Is there any comments or questions regarding those location exceptions?

BRUCE PRATHER: I think this one is fairly reasonable. I mean, you know---.

MARY QUILLEN: You're familiar with them.

BRUCE PRATHER: I don't know whether these houses

down here. I assume they have public water. If they don't, then the closer you get to those houses the more you may have problems with their water supply. Where that is up on that mountain, I see no problems with that. Of course, you've got to stay 200 feet away from the house anyway.

MARK SWARTZ: Obviously, as you can see, we're trying to stay off the hill. So, if we got---.

BRUCE PRATHER: Right.

MARK SWARTZ: ---any kind of a flat spot, we're really going to be on top of the houses---.

BRUCE PRATHER: Yeah.

MARK SWARTZ: ---which is the other problem.

DAVID ASBURY: And we always when faced with location exception at the Division, we look at the correlative rights first and we also look at public safety and workers safety and this is not uncommon for units that we are faced with. This is an opportunity if the Board has questions about location exception, this is a common example that we face routinely in the permitting process.

MARK SWARTZ: Normally, we would be dealing with David in this. But we figured we could make one trip here today, you know.

MARY QUILLEN: Well, in my experience serving on the Board, I can't remember of any questions or requests

because anyone who is familiar with the topography of that part of the region can look at the reasonableness of the request. This is...this is an excellent example. It certainly supports their request and it would be helpful if...if we had those kinds of exhibits with the request. So, it's...I mean, you can look at it and tell, obviously.

DONNIE RATLIFF: Is Buchanan 1?

MARK SWARTZ: Jerry, do you know if this Buchanan 1.

JERRY : I think these are Jewell Smokeless Mines.

MARK SWARTZ: We think they're Jewell Smokeless Mines.

DONNIE RATLIFF: Thank you.

MARK SWARTZ: Well, at least they come from somebody who has identified.

JERRY : In fact, I know they are.

DONNIE RATLIFF: Thank you very much.

MARY QUILLEN: Any other questions?

(No audible response.)

MARY QUILLEN: Do you have anything additional, Mr. Swartz?

MARK SWARTZ: I do not.

MARY QUILLEN: Okay. Do I hear a motion to

approve?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second?

BILL HARRIS: Second.

MARY QUILLEN: All in favor, respond by saying yes.

(All members signify by saying yes, but Mary Quillen, Donnie Ratliff and Katie Dye.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

KATIE DYE: Abstain.

MARY QUILLEN: Motion carries. Two abstentions, Mr. Ratliff and Mrs. Dye. It's approved, Mr. Swartz.

MARK SWARTZ: Thank you.

MARY QUILLEN: The next item on the agenda, number eleven, docket number VGOB-09-1117-2626, a pooling petition. Mr. Swartz.

MARK SWARTZ: Mark Swartz and Anita Duty. It looks like we're alone again.

MARY QUILLEN: You're alone again. You may continue.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you need to state your name for us again.

A. Anita Duty.

MARK SWARTZ: Madam Chairman, I would like to incorporate Anita's prior testimony today with regard to the applicant and operator, her employment and standard lease terms.

MARY QUILLEN: That will be incorporated.

MARK SWARTZ: Thank you.

Q. Anita, this is unit AX-146, correct?

A. Yes.

Q. Who is the applicant?

A. CNX Gas Company.

Q. Okay. And this pertains to what field?

A. Middle Ridge.

Q. How many acres are in this unit?

A. 58.8.

Q. How many wells are proposed?

A. 1.

Q. And you've got it just within the corner of the drilling window, correct?

A. Yes.

Q. Okay. Is it a frac well?

A. Yes.

Q. And why we're talking about the well, have you provided the Board with a well cost estimate for this well?

A. Yes. $273,431.82 to an estimated depth of 2,071 feet.

Q. I take it you don't have a permit yet?

A. No.

Q. Okay. You've listed some folks in the 2 section of the notice of hearing and again on Exhibit B-3 as respondents, do you add any people to the list today as respondents?

A. No.

Q. Do you dismiss any of these folks?

A. No.

Q. What did you do to tell the respondents that you've identified and other people who might be interested that there was going to be hearing today?

A. Mailed by certified mail, return receipt requested on October the 16th, 2009. Published the notice and location exhibit in the Bluefield Daily Telegraph on October the 28th, 2009.

Q. And have you either already provided David with copies of your certificates of mailing and the proof of publication today or will you provide them as you leave?

A. Yes.

Q. Okay. This...obviously, you have acquired interest in this unit. Could you tell the Board what interest you've been able to acquire and what interest you're seeking to pool?

A. We've acquired 99.4893% of the coal claim. 47.0988% of the oil and gas claim. Seeking to pool 0.5107% of the coal and 52.2812% of the oil and gas claim.

Q. Is there an escrow requirement here?

A. Yes.

Q. Okay. And have you provided the Board with an Exhibit E that lists the folks whose claims would be subjected to escrow?

A. Yes.

Q. Okay. Does Exhibit E need to be updated to include one more tract?

A. Yes. Tract 4.

Q. All right. If you look at...members of the Board, if you would look at Exhibit B-3, you'll see that there's a Tract 4, which has address unknown in it and we omitted that inadvertently from the escrow Exhibit E and we need to add that. So, will you file that updated Exhibit E then to the Board?

A. Yeah.

Q. So, acknowledging that you need to escrow Tract 4, what other tracts do you need to escrow in this unit?

A. 1A, 1C, 1D, 1F, 1G, 1H, 1I, 1J, 1K, 1L, 1M, 1N, 1O, and 1P.

Q. Okay. And all of the tracts except 4 require escrow because of conflicts, correct?

A. Yes.

Q. And Tract 4 requires escrow not because of a conflict, but because of an unknown?

A. That’s right.

Q. Okay. Are there any split agreements that you’re aware of in this unit?

A. No.

Q. Okay. Is it your opinion that drilling a frac well in this middle ridge unit is a reasonable way to produce the coalbed methane from within this unit?

A. Yes.

Q. Is it your further opinion that if you combine a pooling order with a leasing and acquisition efforts that the applicant has been successful in obtaining that you will thereby protect the correlative rights of all owners and claimants?

A. Yes.

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

MARY QUILLEN: Are there any questions from the Board?

(No audible response.)

MARY QUILLEN: Anita, you will provide an updated---?

MARK SWARTZ: E.

MARY QUILLEN: ---E for Mr. Asbury?

ANITA DUTY: I will.

MARY QUILLEN: Anything else?

MARK SWARTZ: No.

MARY QUILLEN: Do I hear a motion for approval.

DONNIE RATLIFF: Motion to approve, Madam Chairman.

MARY QUILLEN: Second?

BRUCE PRATHER AND PEGGY BARBER: Second.

MARY QUILLEN: We have a motion and a second. All in favor, respond by saying yes.

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

MARY QUILLEN: Opposed, no.

KATIE DYE: Abstain.

MARY QUILLEN: Okay. Motion carries. One abstention, Mrs. Dye. And Anita will provide the updated Exhibit E to your office.

MARK SWARTZ: Thank you very much.

MARY QUILLEN: Do we need to take a break...a ten break?

(No audible response.)

MARY QUILLEN: Okay. When we come back, we'll back at agenda item twelve. A ten break.

(Break.)

MARY QUILLEN: I believe this is the end of the break and we are back on record. We are back on the record. Agenda item number twelve, docket number VGOB-09-1117-2627, a petition for pooling.

JIM KAISER: Madam Chairman, Jim Kaiser, Rita Barrett and Chris Hinte for EQT Production. I'd ask that they be sworn at this time.

(Rita Barrett and Chris Hinte are duly sworn.)

JIM KAISER: We'll start with Ms. Barrett.

RITA BARRETT

having been duly sworn, was examined and testified as

follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you'd state your name for the record, who you're employed by and in what capacity?

A. My name is Rita Barrett. I'm employed by EQT Production Company in Big Stone Gap, Virginia as regional land manager.

Q. Now, this is an increased density well, is that correct?

A. Yes.

Q. And this unit has previously been approved for an additional well?

A. Yes.

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

A. They do.

Q. Are you familiar with our application seeking a pooling order for this well which was dated October the 16th, 2009?

A. I am.

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

A. We do.

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

A. Yes.

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

A. 86.62967677%.

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

A. A 100%.

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

A. They are.

Q. So, the part of the gas estate that remains unleased would be 13.37032323%?

A. That’s correct.

Q. Okay. Now, I don’t believe we have any unknown and unlocateables in this unit, do we? I’m sorry, yes, we do in Tract 3. Were all reasonable and diligent efforts made and sources checked to identify and locate any unknown heirs?

A. Yes.

Q. In your professional opinion, was due

diligence exercised to locate each of the respondents named in Exhibit B?

A. It was.

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

A. Yes.

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

A. Yes.

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

A. yes.

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

A. Twenty-five dollar paid up bonus, a five year term and one-eighth royalty.

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

A. Yes.

Q. Now, as to those who are listed at B-3, that means the respondents who remain unleased, do you agree

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

A. Yes.

Q. Do you recommend that the order provide that elections by the respondents be in writing and sent to the applicant at EQT Production Company, Land Administration,

P. O. Box 23536, Pittsburgh, Pennsylvania 15222?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Does the applicant expect the party electing to participate to pay in advance that parties share of completed actual well costs?

A. Yes.

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

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs, then that election be treated as having been withdrawn and void and such respondent should be deemed...should be treated as if no initial election had been filed...in other words, deemed to have leased?

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to the payment of actual well costs any cash sum becoming payable to that respondent be paid to him or her within 60 days after the last date on which they could have paid their share of the actual completed well costs?

A. Yes.

Q. The Board does need to establish an escrow account for this unit for proceeds attributable to Tract 3, is that correct?

A. That’s correct.

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

A. EQT Production Company.

Q. The total depth of this proposed well?

A. 2,438 feet.

Q. 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 as Exhibit C?

A. Yes.

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

A. It does.

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

A. The dry hole costs are $141,180. The completed well costs are $353,962.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

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

MARY QUILLEN: Any questions from the Board for Ms. Barrett?

(No audible response.)

MARY QUILLEN: You may continue.

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

MARY QUILLEN: Do I hear a motion for approval?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Do I hear a second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. Those in favor, respond by saying yes.

(All members signify by saying yes, but Mary Quillen and Donnie Ratliff.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: Abstain, Madam Chairman.

MARY QUILLEN: Motion carries. We have one abstention, Mr. Ratliff. You have approval, Mr. Kaiser.

JIM KAISER: Thank you.

PEGGY BARBER: Thank you.

JIM KAISER: Can everybody hear me okay and understand me?

(No audible response.)

MARY QUILLEN: The next item number thirteen on the agenda, docket number VGOB-09-1117-2628. All those wishing to speak to this item, please come forward.

JIM KAISER: Again, Madam Chairman, Jim Kaiser, Rita Barrett and Chris Hinte possibly.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you'd state your name again for the record, who you're employed by and in what capacity.

A. Yes. My name is Rita Barrett. I'm employed by EQT Production Company in Big Stone Gap, Virginia as regional land manager.

Q. And you're familiar with the application that we filed seeking a pooling order for this well?

A. Yes.

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

A. We do.

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

A. Yes.

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

A. The interest leased in the gas estate is a 100%.

Q. And the interest leased in the coal estate?

A. 99.616%.

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

A. They are.

Q. So, the only thing that remains unleased within this unit is 0.384% of the coal estate?

A. That’s correct.

Q. And that is represented in Tract 3 and that is two unknown and unlocateables, a Bobby Rosetti and Mark Rosetti?

A. That’s correct.

Q. And were reasonable and diligent efforts made and sources checked to identify and locate these folks?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. yes.

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

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

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

A. Yes.

JIM KAISER: Madam Chairman, at this time, I'd ask that the Board consider incorporating the testimony previously taken in item 2627 for purposes of the statutory election options afforded any unleased parties and their time frames in which to make those elections.

MARY QUILLEN: That will be incorporated.

Q. Ms. Barrett, in this particular unit, the Board would need to establish an escrow account for Tract 3

because of the unknown and unlocateable interest of the Rosetties?

A. That’s correct.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,201 feet.

Q. Estimated reserves of the unit?

A. 240 million cubic feet.

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

A. Yes.

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

A. Yes.

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

A. Yes. Dry hole costs are $130,571 and completed well costs are $366,959.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge

for supervision?

A. It does.

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

A. Yes.

JIM KAISER: Nothing further of this witness at this time, Madam Chairman. Well, no, there is something further.

Q. Ms. Barrett, this well is slightly outside the interior window, is that correct?

A. Yes.

Q. And you will deal with that in the permitting process with Mr. Asbury's office?

A. Yes. Actually, we've applied for permit on October the 14th for this well.

JIM KAISER: Thank you. Nothing at this time, Madam Chairman.

MARY QUILLEN: Questions for Ms. Barrett?

(No audible response.)

MARY QUILLEN: Have just one clarification, were the unknown and unlocateables in Tract 4?

JIM KAISER: No, ma'am. Tract 3.

RITA BARRETT: Tract 3. The coal estate.

JIM KAISER: The coal estate, Tract 3.

MARY QUILLEN: The coal estate was Tract 3, right?

RITA BARRETT: Oh, actually, there are a Tract 4 in the coal estate.

MARY QUILLEN: Right.

JIM KAISER: No, they're not. Tract 3.

RITA BARRETT: Yes, there was.

JIM KAISER: Not on my Tract 4. It was Tract 3. The B-3 is wrong.

RITA BARRETT: The B-3 is wrong on this exhibit.

MARY QUILLEN: So, it should be---.

RITA BARRETT: It should be Tract 3.

MARY QUILLEN: It should be Tract 3.

JIM KAISER: Yeah.

MARY QUILLEN: Okay. Can you provide a revised exhibit---?

RITA BARRETT: We will revise that exhibit, yes.

MARY QUILLEN: ---for Mr. Asbury, please? Any other questions for Ms. Barrett?

(No audible response.)

MARY QUILLEN: Any---?

JIM KAISER: Madam Chairman, we'd ask that the application be approved as submitted with the correction to

Exhibit B-3.

MARY QUILLEN: Do I hear a motion?

BILL HARRIS: Motion for approval as amended or corrected.

MARY QUILLEN: Second?

BRUCE PRATHER AND PEGGY BARBER: Second.

MARY QUILLEN: We have a motion and a second. All those in favor, respond by saying yes.

(All members signify by saying yes, but Mary Quillen and Donnie Ratliff.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

MARY QUILLEN: Motion carries. One abstention, Mr. Ratliff. You have approval, Mr. Kaiser.

JIM KAISER: Thank you.

MARY QUILLEN: With the revised exhibit. Our next item on the agenda, number fourteen, docket number VGOB-09-1117-2629. This is a petition for a pooling. Those wishing to speak to this item, come forward.

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

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you'd again state your name again for the record, who you're employed by and in what capacity.

A. My name is Rita Barrett. I'm employed by EQT Production Company in Big Stone Gap, Virginia as regional land manager.

Q. And you're familiar with the application that we filed seeking a pooling order for this unit?

A. Yes.

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

A. We do.

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

A. Yes.

Q. And what is the...we do have some revised exhibits. Can you explain why?

A. The initial application showed Arlene Deel in Tract 5 as being leased. She is, in fact, unleased. We have since leased additional parties and changed the percentage of unleased and leased interest to reflect that.

All changes are highlighted in yellow on the exhibits.

Q. Okay. And did Ms. Deel receive notice of this hearing?

A. Yes, she did.

Q. Okay. What is percentage under lease to Equitable in the gas estate at this time?

A. 91.5450479%...I'm sorry, 476%.

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

A. A 100%.

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

A. They are.

Q. So, what is the interest in the gas estate that remains unleased?

A. 8.45495238%.

Q. Okay. Now, in Tract 5 of the gas estate, we have some unknown and unlocateables?

A. Yes.

Q. And were all efforts and reasonable and diligent efforts made and sources checked to identify and locate these folks?

A. Yes.

Q. In your professional opinion, was due

diligence exercised to locate each of the respondents named at revised Exhibit B?

A. Yes.

Q. Are the addresses set out in Revised Exhibit B the last known addresses for the respondents to the best of your knowledge?

A. Yes.

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

A. Yes.

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

A. I am.

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

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

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

A. Yes.

JIM KAISER: At this time, Madam Chairman, I'd

again request that statutory election option testimony afforded any unleased parties be incorporated for purposes of this hearing that was first taken in item 2627.

MARY QUILLEN: That will be incorporated.

Q. Ms. Barrett, the Board does need to establish an escrow account for this unit?

A. Yes. Tracts 3, 4, 5 and 8.

Q. Okay. And that due to conflicting claims?

A. And an unknown and unlocateables, yes.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,352 feet.

Q. Estimated reserves for the unit?

A. 195 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. Yes. Dry hole costs are $163,990 and completed well costs are $391,854.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. It does.

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

A. Yes.

Q. And, again, this well is just right outside the interior window?

A. Yes.

Q. And, again, this is being...this will be dealt with in the permitting process with Mr. Asbury?

A. Yes. And we applied for permit on that on October the 14th.

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

MARY QUILLEN: Are there any questions from the Board for Ms. Barrett?

(No audible response.)

MARY QUILLEN: You may continue.

JIM KAISER: We'd ask that the application be approved as submitted with the revised set of exhibits.

MARY QUILLEN: Is there a motion to approve?

BRUCE PRATHER AND PEGGY BARBER: Motion to approve.

MARY QUILLEN: A second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. All in favor, respond by saying yes.

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

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

MARY QUILLEN: Motion carries. One abstention, Mr. Ratliff. You have approval and you will include the revised Exhibit B.

RITA BARRETT: Thank you.

JIM KAISER: Thank you.

MARY QUILLEN: Oh, B-3 and E...B-3 and E are revised in the packet for the record.

RITA BARRETT: Correct.

MARY QUILLEN: Okay. The next agenda item number fifteen on the docket, VGOB-09-1117-2630, a petition for

pooling.

JIM KAISER: Jim Kaiser and Rita Barrett for EQT Production.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you'd state your name, who you're employed by and in what capacity.

A. Yes. My name is Rita Barrett. I'm employed by EQT Corporation...I'm sorry, EQT Production Company in Big Stone Gap, Virginia as regional land manager.

Q. Now, we've just passed out a set of revised exhibits again. Is this unit dealing with the same set of parties as the unit that we just force pooled?

A. It is. We corrected Tract 2 show Arlene Deel as unleased. She was shown as leased on the initial application exhibits and we have leased additional parties and we have reflected that on Exhibit B. The percentage of leased and unleased totals have been changed.

Q. Okay. And does Equitable own drilling rights in this unit?

A. We do.

Q. Prior to the filing of the application,

were efforts made to contact each of the respondent and an attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. And what is currently the interest in the gas estate under lease to EQT?

A. 81.0813333%.

Q. And the coal estate?

A. The coal estate is 99.64%.

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

A. Yes.

Q. So, what percentage of interest in the gas estate remains unleased?

A. 18.918666667%.

Q. And what percentage of the coal estate remains unleased?

A. .36%.

Q. Okay. And, again, as we stated earlier, this the unit with the same parties as the previous units. So, we have the unknown and unlocateable Trivettes in Tract 5, is that correct?

A. That’s correct.

Q. And were reasonable and diligent efforts

made and sources checked to identify and locate these folks?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. I am.

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

A. A twenty-five dollar paid up bonus for a five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: At this time, Madam Chairman, I'd, again, ask that the statutory election option testimony

taken previously in 2627 be incorporated for purposes of this hearing.

MARY QUILLEN: That will be incorporated.

Q. Okay. Ms. Barrett, for this particular unit, what tracts does the Board need to establish an escrow account for?

A. Tracts 1, 2, 5 and 6.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,080 feet.

Q. Estimated reserves over the life of the unit?

A. 240 million cubic feet.

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

A. Yes.

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

A. It does.

Q. State both the Board both the dry hole costs and completed well costs for this well.

A. Dry hole costs are $153,672 and completed

well costs are $382,435.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. It does.

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

A. Yes.

Q. Again, this well is outside the interior window of the unit. Again, this will be dealt with in the permitting process with Mr. Asbury.

A. Yes, that well was applied for permit on October the 14th also.

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

MARY QUILLEN: Any questions from the Board for Ms. Barrett.

(No audible response.)

MARY QUILLEN: You may continue.

JIM KAISER: We'd ask that the application be

approved as submitted with the revised set of exhibits.

MARY QUILLEN: Is there a motion for approval?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. All those in favor, respond by saying yes.

All in favor, signify by saying yes.

(All members signify by saying yes, but Mary Quillen.)

MARY QUILLEN: Opposed, no.

(No audible response.)

MARY QUILLEN: No abstentions. Okay, motion carries with the revised Exhibit B, B-3 and E to be included.

JIM KAISER: Yes. Thank you.

MARY QUILLEN: You have approval.

RITA BARRETT: Thank you.

SHARON PIGEON: I don't see where any of the exhibits have been labeled B-3. Maybe I'm missing a page.

RITA BARRETT: It should be---.

MARY QUILLEN: Is it---?

RITA BARRETT: Right here. Do you want a copy of this? Do you want this one?

SHARON PIGEON: Well, I should have whatever everyone else has.

JIM KAISER: It's a page right in between B and E.

MARY QUILLEN: Oh, yours is missing.

RITA BARRETT: Here.

MARY QUILLEN: Do you need mine?

SHARON PIGEON: She'll give me one. Rita will take care of me. Thank you.

RITA BARRETT: You're welcome.

SHARON PIGEON: I've been through that two or three times.

RITA BARRETT: Is anybody else's missing?

(No audible response.)

MARY QUILLEN: The next item on the agenda, number sixteen, VGOB...docket number VGOB-09-1117-2631. All those wishing to speak to this item, please come forward.

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

MARY QUILLEN: You may continue.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the

application that we filed here seeking to pool any unleased interest in this unit?

A. Yes.

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

A. We do.

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

A. Yes.

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

A. 93.2530%.

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

A. 100%.

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

A. Yes.

Q. So, what percentage of the gas estate remains unleased?

A. 6.747%.

Q. And a 100% of the coal estate is leased,

right?

A. That’s correct.

Q. Now, in Tract 1, we do have an unknown and unlocateable, the Heirs of Maude Massie, correct?

A. That’s correct.

Q. And were reasonable and diligent efforts made and sources checked to identify and locate these folks?

A. Yes.

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

A. Yes.

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

A. They are.

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

A. Yes.

Q. 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. Yes. A twenty-five dollar paid up bonus for a five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Madam Chairman, I'd again ask that the statutory election options afforded any unleased parties testimony first taken in item 2627 be incorporated for purposes of this hearing.

MARY QUILLEN: That will be incorporated.

Q. For purposes of the Board establishing an escrow account for this unit, would you agree that proceeds attributable to Tract 1 need to be escrowed?

A. Yes.

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

A. EQT Production Company.

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

A. 3,274 feet.

Q. The estimated reserves for the unit?

A. 280 million cubic feet.

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

A. Yes.

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

A. Yes.

Q. And what would the ry hole costs and completed well costs for this well be?

A. Dry hole costs are $172,093 and completed well costs are $504,543.

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 at this time, Madam Chairman.

MARY QUILLEN: Any questions from the Board for Ms. Barrett?

(No audible response.)

MARY QUILLEN: You may continue.

JIM KAISER: We'd ask that the application be approved as submitted with the...we don't have any revised exhibits, do we?

(No audible response.)

JIM KAISER: Approved as submitted.

MARY QUILLEN: Is there a motion to approve?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. All in favor, respond by saying yes.

(All members signify by saying yes, but Mary Quillen and Donnie Ratliff.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

MARY QUILLEN: The motion carries. One abstention, Mr. Ratliff. You have approval.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

MARY QUILLEN: The next item on the agenda number

seventeen, docket number VGOB-09-1117-2632, a petition for approval.

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

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed seeking to pool any unleased interest in this unit?

A. I am.

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

A. We do.

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

A. Yes.

Q. And what is the percentage of the gas estate under lease to EQT in this unit?

A. 74.39%.

Q. And the percentage of the coal estate under lease to EQT?

A. 100%.

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

A. They are.

Q. So, what percentage of the gas estate remains unleased?

A. 25.61%.

Q. Okay. And we do have some unknown and unlocateables in Tract 2 of the gas estate, is that correct?

A. That’s correct.

Q. And were reasonable and diligent efforts made and sources checked to identify and locate these folks?

A. Yes.

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

A. Yes.

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

A. I am.

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

A. Yes.

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

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

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

A. They do.

JIM KAISER: Madam Chairman, I'd ask that the statutory election option testimony first taken in 2627 be incorporated for purposes of this hearing.

MARY QUILLEN: That will be incorporated.

Q. Ms. Barrett, the Board does need to establish an escrow account for this unit for proceeds attributable to Tract 2, is that correct?

A. That's correct.

Q. And Tracts 3 and 4 have a royalty split agreement, which is shown on our Exhibit EE?

A. Yes.

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

A. EQT Production Company.

Q. The total depth of this well?

A. 2,374 feet.

Q. Estimated reserves for the unit?

A. 200 million cubic feet.

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

A. Yes.

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

A. Yes.

Q. State both the dry hole costs and completed well costs for this well.

A. Dry hole costs are $169,824 and completed well costs are $453,326.

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 at this time, Madam Chairman.

MARY QUILLEN: Any questions from the Board for Ms. Barrett?

BILL HARRIS: Madam Chairman, let me just ask about the AFE. This amount is a little higher in proportion to what we've seen based on the depth drilled. Could someone address that.

CHRIS HINTE

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hinte, could you address that, please? If you'll state your name for the record, who you're employed by and in what capacity?

A. Chris Hinte with EQT Production Company, regional drilling manager for Virginia.

Q. Is it part of your job to prepare and review any AFEs?

A. Yes.

Q. Okay. And can you address, Mr. Harris' question, please?

A. What was your questions, Mr. Harris?

BILL HARRIS: Mainly, the...what I usually do

mentally is look at the depth and look at the total AFE and I know you can't always do that. But, you know, there used to be like a $100 a foot. Now, it's about 150 a foot roughly on average. This seems to be a little bit higher than what we've seen for the same depth of similar depth. I was just wondering if there's anything in particular that---.

CHRIS HINTE: Part of it looks like location construction. There might be a long access road and possibly high timber will play a big part in it.

BILL HARRIS: That would show up...that kind of thing would show for surface preparation or where would it---?

JIM KAISER: Location construction. If you'll look---.

PEGGY BARBER: It's a line item on it.

JIM KAISER: ---about six or seven lines down.

CHRIS HINTE: 180094.

PEGGY BARBER: On the page before that.

BRUCE PRATHER: You're up on top of a mountain too.

CHRIS HINTE: Construction, rock, culvert and the reclamation, they're all pretty high.

JIM KAISER: Apparently, this particular well, Mr. Harris, has a longer than usual access road.

BRUCE PRATHER: Well, according to your map here, you do have an access road right to the edge of the unit. Then, I assume, you're going to build a road probably out that ridge. So, that be probably about another three-quarters of a mile.

RITA BARRETT: Uh-huh.

BILL HARRIS: Madam Chairman, I do have one other question and this actually pertains to some handouts that we were given before we did but we never addressed those. But we have some topos and I guess locations.

RITA BARRETT: Chairman Lambert had asked us to provide those exhibits---.

BILL HARRIS: Right. We felt that that would be helpful.

RITA BARRETT: ---just for your information purposes only at previous hearings. So, that's---.

BILL HARRIS: Was there a plan to incorporate those as an exhibit or just for our information only?

RITA BARRETT: That's for your information.

BILL HARRIS: Nothing has been said about them. I was just curious.

RITA BARRETT: That's for your information.

BILL HARRIS: Thank you.

MARY QUILLEN: Any other questions from the Board

for Ms. Barrett?

DAVID ASBURY: Madam Chairman, I've got a question. I was a little bit behind when you gave testimony on which tracts needed to be escrowed and which ones you had split agreements. Is it correct that you're escrowing a portion of Tract 2---?

RITA BARRETT: We're escrowing a portion of Tract 2. A portion of Tract 2 actually has a royalty split agreement. So, the---.

DAVID ASBURY: So---.

RITA BARRETT: We have royalty split agreements on Tracts---.

DAVID ASBURY: 2, 3---.

RITA BARRETT: ---2, 3 and 4.

DAVID ASBURY: Okay. Thank you very much.

MARY QUILLEN: Any additional questions?

(No audible response.)

MARY QUILLEN: You may continue, Mr. Kaiser.

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

MARY QUILLEN: Is there a motion to approve?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Is there a second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. Those in favor, respond by saying yes.

(All members signify by saying yes, by Mary Quillen and Donnie Quillen.)

MARY QUILLEN: Opposed, no.

(No audible response.)

MARY QUILLEN: Motion carries.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

MARY QUILLEN: Oh, one abstention, Mr. Ratliff. You have approval.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

MARY QUILLEN: The next item on the agenda number eighteen, docket number VGOB-09-1117-2633, a petition to pool. Mr. Kaiser.

JIM KAISER: Madam Chairman, again, Jim Kaiser and Rita Barrett for EQT Production.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed seeking a pooling of this unleased interest in this unit?

A. Yes.

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

A. We do.

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

A. Yes.

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

A. 86.61%.

Q. And the interest under lease to EQT in the coal estate in this unit?

A. 100%.

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

A. Yes.

Q. So, what interest in the gas estate remains unleased?

A. 13.39%.

Q. Okay. In this particular unit, we do not have any unlocateables or unknown, correct?

A. Correct.

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

A. Yes.

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

A. Yes.

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

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

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

A. Yes.

JIM KAISER: Now, as to the parties listed at B-3...excuse me, Madam Chairman, at this time, I'd ask that we incorporate the testimony regarding these statutory options afforded any unleased parties that was previously taken in item 2627.

MARY QUILLEN: That will be incorporated.

Q. Now, Ms. Barrett, the Board does need to establish an escrow account for this unit?

A. Yes. For Tracts 1, 3, 4 and 5 due to conflicting claims.

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

A. EQT Production Company.

Q. The total depth of this proposed well?

A. 2,351 feet.

Q. Estimated reserves over the life of the unit?

A. 275 million cubic feet.

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

A. Yes.

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

A. Yes.

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

A. Yes. Dry hole costs are $176,018 and completed well costs are $400,493.

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.

Q. Now, this well is outside the interior window?

A. That’s correct.

Q. And you will deal with that in the permitting process with the DGO?

A. Yes. This well was applied for permit on October the 1st.

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

MARY QUILLEN: Any questions from the Board for Ms. Barrett?

(No audible response.)

MARY QUILLEN: You may continue.

JIM KAISER: We’d ask that the application be

approved as submitted.

MARY QUILLEN: Is there a motion for approval?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. Those in favor, respond by saying yes.

(All members signify by saying yes, but Mary Quillen and Donnie Ratliff.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: Abstain, Madam Chairman.

MARY QUILLEN: Motion approved for approval carries with one abstention, Mr. Ratliff. You have approval.

RITA BARRETT: Thank you.

MARY QUILLEN: The next item on the agenda number nineteen, docket number VGOB-09-1117-2634. All those wishing to speak to this item, please come forward.

JIM KAISER: Madam Chairman, again, Jim Kaiser and Rita Barrett.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the

application that we filed seeking to pool any unleased interest in this unit?

A. Yes.

Q. Does EQT own drilling rights in the unit involved?

A. We do.

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

A. Yes.

Q. What percentage of the gas estate is under lease to EQT?

A. 80.557777778%.

Q. And the interest under lease to EQT in the coal estate in this unit?

A. 100%.

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

A. Yes.

Q. So, what is the percentage of the interest in the gas estate that remains unleased?

A. 19.442222222%.

Q. And in Tract 2 of the gas estate we have

some unlocateable and unknown heirs?

A. Yes.

Q. And were reasonable and diligent efforts made and sources checked to identify and locate these unknown heirs?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. A twenty-five dollar paid up for a five year term and one-eighth royalty.

Q. In your opinion, do the terms that you've just testified to represent the fair market value of and the fair reasonable compensation to be paid for drilling rights

within this unit?

A. Yes.

JIM KAISER: Madam Chairman, again, I'd ask that the statutory election option testimony taken earlier in 2627.

MARY QUILLEN: That will be incorporated.

Q. Ms. Barrett, does the Board need to establish an escrow account for this unit?

A. Yes. Unit Tract 2, unknown and conflicting claim.

Q. Okay. So, establishing an account for any proceeds attributable to Tract 2?

A. Yes.

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

A. EQT Production Company.

Q. The total depth of this proposed well?

A. 2,471 feet.

Q. Estimated reserves of the unit?

A. 200 million cubic feet.

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

A. Yes.

Q. In your opinion, does it represent a

reasonable estimate of well costs?

A. It does.

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

A. Yes. The dry hole costs are $139,817 and completed well costs are $365,536.

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. Correct.

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

MARY QUILLEN: Are there any questions from the Board for Ms. Barrett?

(No audible response.)

MARY QUILLEN: You may continue.

JIM KAISER: We'd ask that the application be

approved as submitted.

MARY QUILLEN: Do I hear a motion for approval?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Is there a second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. Those in favor, respond by saying yes.

(All members signify yes, but Mary Quillen.)

MARY QUILLEN: Opposed, no.

(No audible response.)

MARY QUILLEN: Okay. Motion carries. You have approval.

RITA BARRETT: Thank you.

MARY QUILLEN: The next item on the agenda number twenty, docket number VGOB-09-1117-2635. Those wishing to speak to this item, please come forward.

JIM KAISER: Madam Chairman, Jim Kaiser and Rita Barrett.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed seeking to pool any unleased

interest in this unit?

A. I am.

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

A. We do.

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

A. Yes.

Q. What’s the interest under lease to EQT in the gas estate in this unit?

A. 44.42%.

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

A. 77.23%.

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

A. Yes.

Q. So, what is the interest in the gas estate that remains unleased?

A. 55.58%.

Q. And the interest in the coal estate that remains unleased?

A. 22.77%.

Q. No unknown and unlocateables in this unit, correct?

A. No.

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

A. Yes.

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

A. Yes.

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

A. Yes. A twenty-five dollar bonus for a paid up for a five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Madam Chairman, at this time I'd ask that we incorporate the statutory election option testimony first taken in 2627.

MARY QUILLEN: That will be incorporated.

Q. Okay. Ms. Barrett, the Board does need to establish an escrow account for this unit, correct?

A. Yes. For Tracts 1, 2, 3, 4 due to conflicting claims.

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

A. EQT Production Company.

Q. The total proposed depth of this well?

A. 2,577 feet.

Q. Estimated reserves of the unit?

A. 275 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. Yes. The dry hole costs are $181,186 and completed well costs are $439,667.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. It does.

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

A. Yes.

Q. All right. Now, this one is outside the window also. This location is outside the interior window?

A. Yes. We applied for permit on that one October the 1st.

JIM KAISER: Thank you very much. Nothing further of this witness at this time, Madam Chairman.

MARY QUILLEN: Any questions from the Board for Ms. Barrett?

(No audible response.)

MARY QUILLEN: You may continue.

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

MARY QUILLEN: Do I hear a motion for approval?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Is there a second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. Those in favor, respond by saying yes.

(All members signify yes, but Mary Quillen and Donnie Ratliff.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

MARY QUILLEN: Motion carries. We have one abstention, Mr. Ratliff. You have approval.

RITA BARRETT: Thank you.

JIM KAISER: Thank you.

MARY QUILLEN: The next item on the agenda number twenty-one, docket number VGOB-09-1117-2636. Those wishing to speak to this item, please come forward.

JIM KAISER: Madam Chairman, again, Jim Kaiser and Rita Barrett.

MARY QUILLEN: You may continue.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed seeking to pool any unleased interest in this unit?

A. Yes, sir.

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

A. We do.

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

A. Yes.

Q. What is the interest under lease to EQT in the gas estate in this matter?

A. 87.79%.

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

A. 100%.

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

A. Yes.

Q. So, what percentage of the gas estate remains unleased?

A. 12.21%.

Q. Okay. We don’t have any unknown and unlocateables in this unit?

A. Correct.

Q. And you’re asking...requesting the Board to

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

A. Yes.

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

A. I am.

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

A. A twenty-five dollar bonus paid up for a five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Madam Chairman, again, I'd ask that the statutory election option testimony previously taken in 2627 be incorporated for purposes of this hearing.

MARY QUILLEN: That will be incorporated.

Q. Ms. Barrett, the Board need to establish an escrow account for this unit?

A. Yes. Tracts 2, 3 and 4 due to conflicting claims.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,368 feet.

Q. Estimated reserves for the unit?

A. I'm not sure. 275 million cubic feet.

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

A. Yes.

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

A. Yes.

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

A. Yes. The dry hole costs are $154,841 and completed well costs are $368,048.

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.

Q. And we're outside the window again here?

A. Yes.

Q. And how are you handling that?

A. This well was applied for permit on October the 1st.

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

MARY QUILLEN: Any questions from the Board for Ms. Barrett?

(No audible response.)

MARY QUILLEN: You may continue.

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

MARY QUILLEN: Do I hear a motion for approval?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. Those in favor, respond by saying yes.

(All members signify yes, but Mary Quillen and Donnie Ratliff.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

MARY QUILLEN: Motion carries. We have one abstention, Mr. Ratliff. You have approval.

RITA BARRETT: Thank you.

MARY QUILLEN: Our next agenda item is number twenty-two, docket number VGOB-09-1117-2637. All those wishing to speak to this item, please come forward.

JIM KAISER: Madam Chairman, again, Jim Kaiser and Rita Barrett on behalf of EQT Production. Ms. Barrett, are you familiar with the...well, first of all, housekeeping. The affidavit of mailing that we provide to the Board each...for each particular docket item, we had...I just presented Mr. Asbury with a corrected one. We had an improper...an incorrect well number under relief sought. So, it was a typo. We had 536336 and it should be 531372. So, he's got a corrected notarized copy of that now.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with this application that we filed seeking to pool any unleased

interest in this unit?

A. Yes.

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

A. We do.

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

A. Yes.

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

A. 98.28%.

Q. And in the coal estate?

A. 100%.

Q. Are all unleased parties set out in B-3?

A. Yes.

Q. So, 1.72% of the gas estate remains unleased?

A. That’s correct.

Q. And we do have a unknown and unlocateable interest in Tract 1 of the gas estate?

A. That’s correct.

Q. Were reasonable and diligent efforts made

and sources checked to identify and locate these people?

A. Yes.

Q. Okay. In your professional opinion, was due diligence exercised to locate each of the respondents name herein?

A. Yes.

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

A. Yes.

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

A. I am.

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

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

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

A. Yes.

JIM KAISER: Madam Chairman, again, I'd ask that the statutory election option testimony first taken in 2627

be incorporated for purposes of this hearing.

MARY QUILLEN: They will be incorporated.

Q. Ms. Barrett, the Board need to establish an escrow account for this unit?

A. Yes. Tracts 1 and 3 due to unknowns and conflicting claimants.

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

A. 3,125 feet.

Q. Estimated reserves for the unit?

A. 325 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. Yes. The dry hole costs are $188,556 and completed well costs are $532,260.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. It does.

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

A. Yes.

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

MARY QUILLEN: Are there any questions for Ms. Barrett from members of the Board?

SHARON PIGEON: Did you testify that you have unknown and unlocateables in Tract 3 as well as Tract 1?

JIM KAISER: No.

RITA BARRETT: No. Hang on.

JIM KAISER: One is...yeah, she testified that were unknowns and conflicting claims.

SHARON PIGEON: But the unknowns are only in Tract 1?

JIM KAISER: Yes, ma’am.

RITA BARRETT: Yes.

SHARON PIGEON: Thank you.

MARY QUILLEN: Are there any additional questions?

(No audible response.)

MARY QUILLEN: You may continue.

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

MARY QUILLEN: Is there a motion to approve?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Is there a second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. All those in favor, respond by saying yes.

(All members signify yes, but Mary Quillen and Donnie Ratliff.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

MARY QUILLEN: Motion carries. One abstention, Mr. Ratliff. Mr. Kaiser, you have approval.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BILL HARRIS: Madam Chairman, could I ask just a question? This is just for information. Actually, I wanted to know about units. This doesn't affect the outcome of any of these. But before we moved on because I don't know if the next one does this. Could I ask Mr. Hinte just a question about the nitrogen, about the units that that's in

when we look at these? If you'll just look at the last one. I had looked at that a couple of times. I thought, well, I don't think that would affect the outcome of our voting. I just curious and I wasn't sure if it was a good time to just jump in and ask. But where it has a service company nitrogen for this one, 648 inches - 200. Could you tell me what those units are? What that means?

CHRIS HINTE: 648 inches is the approximate amount of coal that we're going to see. So, we're expecting about 648 inches of coal, which is quite a bit compared to about 250 to 300.

BILL HARRIS: Yeah, I think I'd seen other numbers. Smaller numbers.

CHRIS HINTE: Yeah. And that's where it comes from. Then the 200 barrels per footage how it will affect our well with a product we use per foot.

BILL HARRIS: Now, is this per foot of depth or is this unit from volume times area or something or is it a---?

CHRIS HINTE: I'm not sure how exactly they come up with it, but it's per foot depending...well, they'll take that back to 648 inches is what they're getting that from.

BILL HARRIS: You know, okay...I'm just...you know, when you talk about the 200 barrels...well, okay, a foot, but I guess it's...you know, I guess that's...I don't know

if that's a foot of depth of whatever.

CHRIS HINTE: Yeah. Foot of depth is how they go by since there's extra coal in there.

BILL HARRIS: This is actually going out. So, that's why the 200 barrels? I mean, is that just the approximation based on the depths of the coal.

CHRIS HINTE: And a lot of relates on the areas as well.

BILL HARRIS: And the 1.5 ppg. Do you know what the---?

CHRIS HINTE: Pints per gallon. That's how much (inaudible) we'll be using.

BILL HARRIS: Okay. Thank you.

CHRIS HINTE: Uh-huh.

BILL HARRIS: Thank you.

MARY QUILLEN: Okay. Back to agenda item number 23, docket number VGOB-09-1117-2638. Those wishing to speak to this item, please come forward.

JIM KAISER: Madam Chairman, Jim Kaiser and Rita Barrett for EQT Production.

MARY QUILLEN: You may continue.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed seeking to pool any unleased interest in this unit?

A. I am.

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

A. We do.

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

A. Yes.

Q. What is the interest under lease to EQT in the gas estate in this unit?

A. 98.96%.

Q. And in the coal estate?

A. 100%.

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

A. Yes.

Q. So, what percentage of the gas estate remains unleased?

A. 1.04%.

Q. Okay. We don't have unknown and unlocateables in this unit?

A. No.

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

A. Yes.

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

A. I am.

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

A. Yes. Twenty-five dollar paid up...I'm sorry, a twenty-five dollar bonus, a five year paid up term and one-eighth royalty.

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

A. Yes.

JIM KAISER: At this time, Madam Chairman, I'd ask that we be allowed to incorporate the testimony regarding statutory election options previously taken in 2627.

MARY QUILLEN: They will be incorporated.

Q. Okay. Ms. Barrett, does the Board need to establish an escrow account for this unit?

A. Yes. Tracts 4 and 5 due to conflicting claimants.

Q. Okay. What is the projected depth of this well? Excuse me, who should be name operator under any force pooling order?

A. EQT Production Company.

Q. And the projected depth of this proposed well?

A. 2,841 feet.

Q. The estimated reserves for the unit?

A. 360 million cubic feet.

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

A. Yes.

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

A. Yes.

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

A. First of all, I need to say that this well was drilled several years ago. We're repooling it because we located an additional tract in this unit when we were

researching the infills. So, these AFE costs are going to seem kind of low. The dry hole costs were $700...I'm sorry, the dry hole costs were $73,744 and completed well costs were $185,800.

Q. Do these costs...did these costs anticipate a multiple completion?

A. They did.

Q. Did the AFE include a reasonable charge for supervision?

A. Yes.

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

A. Yes.

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

MARY QUILLEN: Mr. Kaiser, on the AFE, there is no signature on this? Do you have one that's signed?

JIM KAISER: No, I do not, but we can get you one.

RITA BARRETT: I'll reach you one right now.

JIM KAISER: Yeah, you can sign them.

RITA BARRETT: Chris can sign it.

JIM KAISER: Chris can sign it.

SHARON PIGEON: Well, we will expect you to do just

that.

DONNIE RATLIFF: It's dated '96, Madam Chairman.

JIM KAISER: Yeah, that's probably why.

RITA BARRETT: Yeah, it's an old. In fact, I don't think we had to have them executed.

JIM KAISER: That's 10 years ago.

RITA BARRETT: And I will say that this additional tract that we've added, we will make royalty payments...all payments will be retroactive to the date this well was turned in line back then.

MARY QUILLEN: Mr. Asbury—?

DAVID ASBURY: Yes, ma'am.

MARY QUILLEN: ---are you willing to accept his signature since he did not prepare it since it's an old one?

DAVID ASBURY: I think it would be appropriate that Ms. Barrett and Mr. Hinte look at their financial costs on this and just send a letter saying this was the actual cost as recorded. And, yes, you know---.

RITA BARRETT: Okay. We can do that...that's---.

DAVID ASBURY: ---we can accept Mr. Hinte's statement on that.

RITA BARRETT: These are actuals. Yeah, we'll do that.

DAVID ASBURY: Madam Chairman, I appreciate...these

exhibits helps us a lot and I hope they've helped you, particularly this one where we've got old mine works. It alerts everyone of the potential to go into an active mine. Of course, both of these and the mine shown on this particular plat are inactive.

RITA BARRETT: Uh-huh.

DAVID ASBURY: But this is very helpful. The exhibits are excellent and it also helps our inspectors in the field.

RITA BARRETT: Okay.

DAVID ASBURY: Thank you.

MARY QUILLEN: And it also identifies them as inactive.

DAVID ASBURY: Yes.

RITA BARRETT: It's all about keeping people safe.

DAVID ASBURY: Thank you very much.

MARY QUILLEN: You may continue.

JIM KAISER: Madam Chairman, we'd ask that the application be approved as submitted with the addition of this letter from EQT verifying the figure we've given you was the actual completed well costs.

MARY QUILLEN: Are there any questions for either Ms. Barrett or Mr. Hinte?

(No audible response.)

MARY QUILLEN: Okay. Do we have motion?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Is there a second?

BILL HARRIS: Second.

MARY QUILLEN: All those in favor, respond by saying yes.

(All members signify yes, but Mary Quillen and Donnie Ratliff.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

MARY QUILLEN: Motion carries. One abstention, Mr. Ratliff. And you will provide that to Mr...the revised...or the letter with the statement---?

RITA BARRETT: Yes.

MARY QUILLEN: ---to Mr. Asbury's office?

RITA BARRETT: Correct.

MARY QUILLEN: Good. You have approval.

RITA BARRETT: Thank you.

MARY QUILLEN: The next agenda item, number twenty-four, docket number VGOB-09-1117-2639. Those wishing to speak to this item, please come forward.

JIM KAISER: Jim Kaiser and Rita Barrett, again, for EQT Production.

MARY QUILLEN: Anyone wishing to speak?

(No audible response.)

MARY QUILLEN: No. You may continue.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed here seeking to pool any unleased interest in this unit?

A. I am.

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

A. We do.

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

A. Yes.

Q. What percentage of the gas estate is under lease to EQT?

A. 98.96%.

Q. And what percentage of the coal estate is under lease to EQT?

A. 100%.

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

A. Yes.

Q. So, what is the percentage of the gas estate that remains unleased?

A. 1.04%.

Q. Okay. We don’t have unknown and unlocateables in this unit, correct?

A. Correct.

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

A. Yes.

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

A. I am.

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

A. Yes. A twenty-five dollar bonus for a five year paid up term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Madam Chairman, I'd, again, ask that the statutory election option testimony first taken in 2627 be incorporated for purposes of this hearing.

MARY QUILLEN: They will be incorporated.

Q. Ms. Barrett, I believe the Board does need to establish an escrow account for this unit? Is that correct?

A. Yes, for Tracts 2 and 3 due to conflicting claimants.

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

A. EQT Production Company.

Q. The total depth of this proposed well?

A. 2,799 feet.

Q. The estimated reserves for the unit?

A. 270 million cubic feet.

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

A. Yes.

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

A. It does.

Q. Could you state for the Board both the dry

hole costs and completed well costs for this well?

A. Sure. Dry hole costs are $143,102 and completed well costs are $368,472.

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.

Q. Okay. Now, again, this particular location is outside the interior window. How are you handling that?

A. We will address that at the time we apply for permit. We have not applied for permit for this well yet.

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

MARY QUILLEN: Any questions from the Board for Ms. Barrett?

(No audible response.)

MARY QUILLEN: You may continue.

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

MARY QUILLEN: Do I hear a motion for approval?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. All those in favor, please respond by saying yes.

(All members signify yes, but Mary Quillen and Donnie Ratliff.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

MARY QUILLEN: Motion carries. One abstention, Mr. Ratliff.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

DONNIE RATLIFF: Madam Chairman.

MARY QUILLEN: Yes, sir.

DONNIE RATLIFF: If you could look back at item twelve on the docket.

MARY QUILLEN: Yes?

DONNIE RATLIFF: On Exhibit B on page six and seven, Charlene Sutherland and Brenda Lee Sutherland are

both deceased, but their lease is unknown and unlocateable as leased. How do you do that?

RITA BARRETT: On exhibit...which exhibit are you looking at?

DONNIE RATLIFF: B on page seven of eight.

RITA BARRETT: Who?

DONNIE RATLIFF: The heirs of Charlene Sutherland and the heirs of Brenda Lee Sutherland.

RITA BARRETT: That can't be right. Well, actually, it can be. It can be that we have leased Charlene Sutherland and we have leased the heirs of...we have leased Brenda Sutherland and these two individuals died subsequent to that lease and we don't know who their heirs are.

DONNIE RATLIFF: Well, these two ladies were both handicapped and their guardian was Mable Hurst. Mable is listed back on page six. She has got to be in her '90s. It's Steve Hurst that Grundy Funeral Home's widow. But Mable was the guardian for Charlene and Brenda Lee before they died. Larry and Jean are both living. That's brothers and sisters.

RITA BARRETT: Who are brothers and sisters?

DONNIE RATLIFF: The one on the top on page seven Grace and Eugene Sutherland.

RITA BARRETT: Uh-huh.

DONNIE RATLIFF: That's a brother Larry Sutherland, the one under one is a brother and back on page six, Mable Hurst is a sister. Mable raised these two ladies and they lived with her and she was their guardian. I assume she's in a nursing home from looking at the address.

JIM KAISER: It sounds like, yeah.

DONNIE RATLIFF: She's got to be in her 90s. I didn't know she was still alive. But that's who that family is. That's Pete Hurst's wife and the Sutherlands.

RITA BARRETT: I can verify that the two unknowns and unlocateables that we have on here died subsequent to signing a lease and that we don't---.

JIM KAISER: What we can do is contact those folks that you just gave us---?

RITA BARRETT: Right.

DONNIE RATLIFF: I'll call...I've got Larry...I've got their brother's phone number. I'll call him and mail this to you.

RITA BARRETT: Have him contact me, please?

JIM KAISER: And then if it would please the Board, what we'll do is once we get a disposition of...or figure out who should get those interest we'll...when we file our supplemental order we'll include that information in that order.

RITA BARRETT: Because a lot of times, Mr. Ratliff, if people die and their heirs don't tell us, you know, and provide a Will or a List of Heirs or an Affidavit of Descent, we don't know it. So, when the royalty checks come back, they're marked as a bad address unless they come back as deceased. Unless somebody lets us know and then at that point is when we get in contact...try to contact all the heirs. But if they don't notify us we don't have any way of knowing that someone is deceased other than the checks not being cashed.

DONNIE RATLIFF: I'll see if I can't---.

JIM KAISER: We appreciate your help on that.

RITA BARRETT: Yeah, we do.

JIM KAISER: Anytime you all know people, you know, that's good.

MARY QUILLEN: And you will followup with an additional---?

RITA BARRETT: We will, yes. We appreciate that.

JIM KAISER: Verify the lease and then figure out a way we can send their share of it and include that in the supplemental order.

RITA BARRETT: Well, that's the only reason I can think of why an unknown and unlocateable was shown up as leased.

MARY QUILLEN: I believe that we will break for lunch. This is the end of EQTs petitions. After lunch, we will go back to Range Resources and Appalachian Energy. We'll resume at 1:00.

JIM KAISER: Thank you.

(Lunch.)

MARY QUILLEN: Okay. The next agenda item, we are now on the record, is item number twenty-five, docket number VGOB-09-1117-2640, a petition for establishment of a provisional drilling unit.

JIM KAISER: Madam Chairman, Jim Kaiser on behalf of Range Resources-Pine Mountain. We'd ask that that you call the next item also. I think we can consolidate those two.

MARY QUILLEN: Okay. We'll do. We will call the second item, number twenty-six on the agenda, docket VGOB-09-1117-2641, also a petition for establishment of a provisional drilling unit.

(Phil Horn and Gus Jansen are duly sworn.)

JIM KAISER: Madam Chairman, we'll start with Mr. Horn.

PHIL HORN

having been duly sworn, was examined and testified as

follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Phil Horn. I'm employed by Range Resources-Pine Mountain, Inc. as land manager.

Q. And as you know, the Board has just allowed us to consolidate or combine these two unit establishments. Would it be your testimony that the same parties in both units were entitled to statutory notice for this hearing and notice has been made to all of those parties?

A. That's correct.

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

MARY QUILLEN: Any questions from the Board for Mr. Horn?

(No audible response.)

MARY QUILLEN: I have one question on that. All of these folks are part of the...are leased and part of the production of these wells, is that correct?

PHIL HORN: Excuse me, I didn't understand what you said?

MARY QUILLEN: All of the parties listed on Exhibit

B, they are all...have working interest in or leased in this---?

PHIL HORN: No, ma'am. This is all of the oil and gas and coal owners and oil and gas lessees. The first group is on the first one...the first four would be all the coal owners---.

MARY QUILLEN: And then is---?

PHIL HORN: ---and then Equitable Production Company, our partner, and then on the second one it would be the same thing.

MARY QUILLEN: Okay. Thank you.

PHIL HORN: So, we own all oil and gas inside of all...both of these units except ACIN owns a little bit in one unit.

MARY QUILLEN: Okay. Thank you so much.

PHIL HORN: Yes, ma'am.

MARY QUILLEN: Any other questions?

BRUCE PRATHER: Madam Chairman, I have a question.

MARY QUILLEN: Yes?

BRUCE PRATHER: I know that this is inside the AMI of the Roaring Fork Field. I know that Equitable has some acreage up in this area that the partnership has an interest in. Is this all 100% Equitable and Range?

PHIL HORN: On the very first one down...Exhibit A

on---?

BRUCE PRATHER: I mean, if it's 100% Equitable and Range, you know, it's part of that 39,000 acres that it was out...well, it's inside the AMI, but it also is---.

PHIL HORN: This is not a part of Roaring Fork---.

BRUCE PRATHER: Okay.

PHIL HORN: ---if that's your question.

BRUCE PRATHER: Well, that was my question because you said that there was a small percentage there. We have---.

PHIL HORN: I said that---.

BRUCE PRATHER: We have some acreage in there that Equitable has.

PHIL HORN: Right. And this is something that Equitable has by themselves.

BRUCE PRATHER: Okay.

PHIL HORN: Yes, sir.

BRUCE PRATHER: Okay.

MARY QUILLEN: Any other questions?

(No audible response.)

MARY QUILLEN: You may continue.

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Jansen, if you would state your name for the record, who you're employed by and in what capacity?

A. Yes. My name is Gus Jansen. I'm employed by Range Resources-Pine Mountain, Inc. as manager of Geology.

Q. And you've testified on numerous occasions before the Gas and Oil Board regarding the establishment of conventional horizontal units?

A. That's correct.

Q. And for today's two hearings, you have prepared a set of exhibits to help illustrate your testimony, is that correct?

A. That's correct.

Q. At this time, if you would go through the exhibits for the Board.

A. If the Board would refer to Exhibit AA, this is a general schematic of Dickenson County sort of in the center showing the location of the two proposed units that we're seeking today, Range 2640 and Range 2641 units. These two units are offsetting an existing unit that has been previously approved by the Board, the 2481. Again, we're continuing to build additional units in out building

block fashion off of existing areas as we continue to develop an expiration of the horizontal drilling in the area.

Exhibit BB is a schematic showing what the dimensions of the units will be. Again, these units allows for a reasonable development of the conventional gas formations by horizontal drilling techniques. Again, you'll see the 300 foot setback, which provides for the protection of the correlative rights of adjacent owners in the area.

Exhibit CC goes into a little bit more detail with these dimensions. Again, it's a 320 acre square unit with the dimensions of 3,733 feet by 3,733 which allows for a maximum lateral of 4,431 feet, which again that's important to us because we're trying to get at least a minimum of 3,000 feet to get a productive well in the formations that we've been experimenting with at this point. Again, we had the 300 foot interior window with a 600 foot standoff from adjacent grid horizontal wellbores producing from the same horizon. Again, this is for the protection of the correlative rights. We have a 600 foot distance between horizontal wellbore and any vertical well producing from the same horizon. Again, the units allow for multiple wells and/or laterals for the maximum drainage in all conventional reservoirs. And we will be able to drill a surface location

inside or outside of the unit so long as production comes within in the unit.

Exhibit DD is sort of schematic of a typical horizontal well plan. Again, we have the same casing plan requirements that are set forth for vertical wells. We have our surfacing casing, which is the protection of fresh water zones. We have a 7 inch string which is for the protection of the coals in the areas and then we also have a production string which allows to complete the gas. Again, this schematic shows the relative position of the potential producing targets in the area. In this example, the well plan (inaudible) of the Lower Huron Shale well. Again, we're looking for a typical plan to get at least a 3,000 foot lateral within whatever productive zone is. You can see the location of the curve part of the well, which completes the lateral.

Finally, Exhibit EE goes into the benefits of the horizontal drilling. It will be the working interest owners, the royalty owners and the county will likely benefit by maximizing the production and promote the conservation of the gas resource and prevent waste by more effectively extracting the resource. Again, we're achieving this by recovering gas resources typically in the Lower Huron Shale that would otherwise be considered uneconomic in

today's conditions. This allows us to general laterals underneath areas otherwise inaccessible from the surface. We have less potential impact on the coals in the area. You have less potential impact on the surface disturbance and this is being accomplished again by drilling multiple wells in a single pad. It allows for eliminating additional vertical wells to access the gas resources in those areas. Again, the square units allows for no stranded acreage for the development of the gas resources.

MARY QUILLEN: Mr. Jansen, I have just one question. Looking back at Exhibit AA, the 2481 has that well been drilled and producing yet.

GUS JANSEN: That well we have just completed drilling on that well yesterday. It has not completed and placed in production at this time. It will be by the end of the year.

MARY QUILLEN: Okay. And is it going to be producing from the same horizon as these adjacent wells?

GUS JANSEN: The planned wells at this time, we're targeting in this general area two separate formations. Typically, our development has been the Lower Huron and the Big Lime. At this point, we don't have any other permits approved for any of those wells at this time. But that's what we plan to develop in the future.

MARY QUILLEN: Okay. Thank you. Are there additional questions for Mr. Jansen?

BILL HARRIS: Let me ask one, Madam Chairman. I notice of the plats for both of those that the well locations are not shown. I think we've maybe been here before. Where would we put these. I mean---.

GUS JANSEN: The surface location for our proposed horizontal?

BILL HARRIS: Yes.

GUS JANSEN: We have tentative locations at this time, but they have not been permitted or anything at that point in time. At this point of the process, we are just trying to get the unit established for the development of the resource in these areas. Typically, we'll place those wells in the southeast corner of the unit to allow the horizontals to drill in the northwest direction. That has been our standard pattern or vice versa coming from the northwest back to the southeast.

BILL HARRIS: Okay. Thank you.

MARY QUILLEN: Any other questions for Mr. Jansen?

DAVID ASBURY: Madam Chairman, I have a clarification just for permitting purposes.

MARY QUILLEN: Mr. Asbury.

DAVID ASBURY: On the Board order itself, it talks

about the exploration and the production of the Mississippian and Devonian nature formations which includes all of these formations. If a presentation like this one has been made that it's going into the Lower Huron Shale and at some point in time they would like to come back and go into other formation that's within this Board order, the Board...is it true that the Board doesn't require the operator to come back before the Board if it's already approved as one of the formations for exploration? In this particular case, the target is the Lower Huron Shale. Let's say at some point in the future they would like to come back and go into the Big Lime. Is that a permitting issue do you think or does the Board believe that the operator has to come back for the production in the Big Lime if it's stated in the Board order itself?

MARY QUILLEN: Well, the Board says the Mississippian formation, is that correct?

DAVID ASBURY: Yes. Which includes all---.

BRUCE PRATHER: Mississippian and Devonian.

MARY QUILLEN: And Devonian.

BRUCE PRATHER: Yeah.

MARY QUILLEN: So, basically, what we're approving is in the Mississippian and Devonian.

SHARON PIGEON: Here is the application.

BRUCE PRATHER: Wouldn’t this be like a rework?

DAVID ASBURY: It could be. The question...and this wasn’t necessarily Range, but the question from the Division’s standpoint is, the Board orders has said that you’re approving exploration and production from any of these formations and they have the right to produce that. In the presentation, they’re targeting one formation.

MARY QUILLEN: One formation.

DAVID ASBURY: And would like to come back at some other time from the permitting standpoint and go into another formation that has been approved by the Board.

GUS JANSEN: If I can address that part of it. I think in this presentation the intent of this Exhibit DD, this typical horizontal well plan is just an example of one type of well plan. We could present one for each and every formation, which would be basically the same thing and just targeting the lateral in each of the different formations. I don’t really see the need for that repetition of these type of hearings. It’s just giving you an example of basically the maximum extent of what we’re really---.

MARY QUILLEN: And those specific ones would be addressed in the permitting process, is that what you’re saying?

GUS JANSEN: That’s correct.

JIM KAISER: I think it's a permitting issue.

GUS JANSEN: If it's in the permit, we bring an actual plan with actual drill depths and, you know, a casing plan for that site specific example in the permit whereas here we would not have that plan available for six or eight different types of formations.

BRUCE PRATHER: I know other states that I've worked in if you go in and do other activity on a well, say at a later date, you get a rework permit from the state. I mean, I don't know what Virginia's are.

JIM KAISER: In this case, a permit modification.

BRUCE PRATHER: Normally that's what you do.

DAVID ASBURY: That's why I asked for the clarification. In the Board order, they're asking to produce any of these. Then in the permit process, they can come with different ones of these formations. As long as that formation is one that has been approved by this Board order, it has been allowed or we assume that it has been approved for that production.

BILL HARRIS: Let me ask a question though. If there's a difference in cost involved, how does that affect things? I mean, if you go back and drill...not drill, but go back and decide that you're going to...I'm not sure of the right language, complete another area, what happens then

in terms of the cost?

MARY QUILLEN: They---.

GUS JANSEN: The purpose of establishing the unit, I don't think cost is an issue---.

BILL HARRIS: No, that wouldn't affect it. If you were doing the pooling---.

JIM KAISER: That would be a force pooling issue.

GUS JANSEN: If it's a pooling issue, we would have to---.

JIM KAISER: We have to come back and pool.

GUS JANSEN: ---repool that formation.

BILL HARRIS: Drilling a second well kind of in essence, okay.

GUS JANSEN: Well, actually, the unit would already be pooled if we (inaudible) in any formation. That would be my understanding of it.

BRUCE PRATHER: See, you already commingle zones in these vertical wells.

GUS JANSEN: Right.

BRUCE PRATHER: You know, you don't have to get extra permits for them. The only thing that would bother you, if you were going to actually redrill, you might have to get a permit. I don't know.

PHIL HORN: We haven't done it. We've

produced...so far we hadn't drilled...put two different horizontals in one well. It's always been a second well right next to the first well.

BRUCE PRATHER: Yeah.

PHIL HORN: And we've come back to Mr. Asbury and get a permit to drill the different formation in the same unit.

BRUCE PRATHER: Yeah.

DAVID ASBURY: And that is something that we assume was in the permitting process, as long as it's clarified in the Board order that these formations is what the Board is approving for production and exploration.

MARY QUILLEN: Does anyone else have a comment that they would like to make about this? That was my understanding that it would be a part of the permitting process and not something that we would---.

DAVID ASBURY: Thank you.

MARY QUILLEN: Any other questions for Mr. Jansen?

(No audible response.)

MARY QUILLEN: Mr. Kaiser, you may continue.

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

MARY QUILLEN: We will vote on each one of these individually. We'll vote on agenda item number twenty-

five. Do I hear a motion?

BILL HARRIS: I move for approval of the petition for the unit RR-2640.

PEGGY BARBER: Second.

MARY QUILLEN: We have a motion and a second. All those in favor, respond by saying yes.

(All signify by saying yes, but Mary Quillen, Donnie Ratliff and Bruce Prather.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: I'll abstain.

BRUCE PRATHER: I probably should abstain.

MARY QUILLEN: Motion...the motion carries. Two abstentions, Mr. Prather and Mr. Ratliff. We will go to the second item, number twenty-six, unit RR-2641.

BILL HARRIS: Madam Chairman, I'd like to make a motion that we approve the petition concerning that unit RR-2641.

MARY QUILLEN: Is there a second?

PEGGY BARBER: Second.

MARY QUILLEN: We have a motion and a second. All those in favor, respond by saying yes.

(All members signify by saying yes, but Mary Quillen, Donnie Ratliff and Bruce Prather.)

MARY QUILLEN: Opposed, no.

DONNIE RATLIFF: Abstain.

BRUCE PRATHER: Have me abstain too.

MARY QUILLEN: The motion carries. Two abstentions, Mr. Prather and Mr. Ratliff. You have approval.

JIM KAISER: Thank you.

MARY QUILLEN: The next item on the agenda number twenty-seven, docket number VGOB-09-1117-2642. Those wishing to speak to this agenda item, please come forward.

TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

MARY QUILLEN: This is creation and drilling and pooling a conventional gas well. Okay, you may continue, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, again, would you state your name, by whom you're employed and your...what your job description is?

A. My name is Phil Horn. I'm employed by Range Resources-Pine Mountain, Inc. as land manager. One of

my job descriptions is get wells permitted and drilled.

Q. And you assisted in the preparation of this application, is that correct?

A. Yes, I did.

Q. And is this unit subjected to statewide spacing?

A. Yes, it is.

Q. And how many acres does it contain?

A. 112.69.

Q. And does Range Resources-Pine Mountain have drilling rights in this unit?

A. Yes, we do.

Q. Are there any respondents on B...listed on B-3 that we're going to dismiss today?

A. No, we're not.

Q. And what is the percentage that Range Resources has under lease in this unit?

A. 97.49%.

Q. Now, with regard to those parties listed on Exhibit B-3 that you've not...that we're going to ask the Board to pool today, have you tried to reach an agreement with those individuals?

A. Yes, we have.

Q. And as far as the notice of this hearing

today, how was that affected?

A. By certified mail and also was published in the Coalfield Progress on October the 20th, 2009.

Q. Okay. Have you provided the proof of mailing and proof publication to Mr. Asbury?

A. Yes, you have.

Q. Okay. Now, do we have any unknowns in this unit?

A. No, we do not.

Q. Okay. Now, does Range Resources have a blanket bond on file with the Department?

A. Yes, we do.

Q. And you're authorized to conduct business in the Commonwealth?

A. That's correct.

Q. Now, those parties listed on Exhibit B-3, if you were to reach an agreement with those individuals, what would be your...what would be the terms of your lease?

A. It would be twenty-five dollars per acre bonus for a five year paid up lease that provides a one-eighth royalty.

Q. Is that fair compensation for a lease in this area?

A. Yes, it is.

Q. Okay. What percentage of the oil and gas estate does Range Resources seeking to pool today?

A. 2.51%.

Q. Okay. Are you also requesting that Range Resources be named operator for this unit?

A. Yes, we are.

Q. And we send the order out and we ask these people to make elections pursuant to statute, what would be the address to be used for any correspondence regarding an order?

A. Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212.

Q. And is that the correspondence for all... anything involving this order?

A. Yes.

Q. Okay. Are you asking the Board to establish a unit and pool the unleased parties listed on Exhibit B-3, is that correct?

A. That’s correct.

TIM SCOTT: That’s all I have for Mr. Horn.

MARY QUILLEN: Any questions for Mr. Horn from the Board?

BRUCE PRATHER: Madam Chairman, I’ve got a question.

MARY QUILLEN: Mr. Prather.

BRUCE PRATHER: On your plat here, this well V-3198 the foundation that I do the work for we have a 1% interest in that well. Is that number five is that the acreage of that 3198?

PHIL HORN: That's the distance to the closest drilled well is 6387 feet. Now, there are...there are some small tracts involved in this well that probably will be Roaring Fork.

BRUCE PRATHER: Okay.

PHIL HORN: In our well unit, yes, sir.

BRUCE PRATHER: Okay.

PHIL HORN: That's what I figured you wanted to know.

MARY QUILLEN: Any other questions for Mr. Horn?

(No audible response.)

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, please state your name, by whom you're employed and your job description.

A. My name is Gus Jansen. I'm employed by

Range Resources-Pine Mountain, Inc. as the manager of geology.

Q. You also participated in the preparation of this application, is that right?

A. That’s correct.

Q. Now, are you aware of the target depth for this well?

A. Yes, I am. The depth proposed is 5,177 feet.

Q. And what are the estimated reserves?

A. 350 million cubic feet of gas.

Q. Also, I know that you signed the AFE, is that correct?

A. That’s correct.

Q. So, you participated in the preparation of the AFE?

A. That’s correct.

Q. Are you familiar with the well cost? I assumed that to be yes, is that right?

A. Yes.

Q. Okay. What’s the estimated dry hole costs for this well?

A. $258,754.

Q. And the completed well costs?

A. $531,788.

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

A. Yes, it does.

Q. In your opinion, if this application is granted we're going to protect...promote conservation, is that right?

A. That is right.

Q. Protect correlative rights and---?

A. That's correct.

Q. ---promote the recovery of the asset, is that right?

A. That is correct.

TIM SCOTT: That's all I have for Mr. Jansen.

MARY QUILLEN: Any questions for Mr. Jasen from the Board?

(No audible response.)

MARY QUILLEN: You may continue.

TIM SCOTT: That's all I have, Madam Chairman.

MARY QUILLEN: Is there a motion for approval?

PEGGY BARBER: Motion to approve.

MARY QUILLEN: Is there a second?

BILL HARRIS: Second.

MARY QUILLEN: We have a motion and a second. All

those in favor, reply by saying yes.

(All Board members signify by saying yes, but Mary Quillen, Donnie Ratliff and Bruce Prather.)

MARY QUILLEN: Opposed, no.

BRUCE PRATHER: Abstain.

DONNIE RATLIFF: I'll abstain.

MARY QUILLEN: Motion carries. We have two abstentions, Mr. Prather and Mr. Ratliff. You have approval.

TIM SCOTT: Thank you.

MARY QUILLEN: The next item on the agenda is number twenty-eight, docket number VGOB-09-1117-2643. Those wishing to speak to this item, please come forward.

TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

MARY QUILLEN: You may continue.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, one more time, your name, by whom you're employed and your job description.

A. Phil Horn. I'm employed by Range

Resources-Pine Mountain, Inc. as land manager. I'm in charge of all land related activities including permitting and drilling the wells.

Q. And you participated in the preparation of this application, is that correct?

A. Yes, I did.

Q. Okay. Now, this is a provisional unit. I believe this was established last month, is that right?

A. That's correct.

Q. Okay. How many acres does this unit contain?

A. 320.

Q. And you all have drilling rights in this unit, is that right?

A. That's correct.

Q. Are we going to dismiss anybody today?

A. No.

Q. And what's the percentage that you have under lease presently?

A. 99.77%.

Q. And how was notice of this hearing provided to the parties on Exhibit B?

A. It was provided by certified mail. It was also a notice of the hearing was published in the Dickenson

Star on October the 20th, 2009.

Q. Do we have any unknowns in this unit?

A. No, we do not.

Q. Okay. And have you provided proof of publication and proof of mailing to Mr. Asbury?

A. Yes, you have.

Q. Okay. Again, is Range Resources authorized to conduct business in the Commonwealth?

A. Yes, we are.

Q. A blanket bond is on file, is that right?

A. That’s correct.

Q. Now, if we reach an agreement with the parties listed on Exhibit B-3, what terms would you offer?

A. Twenty-dollars per acre for a five year paid up lease that provides a one-eighth royalty.

Q. Do you believe that to be fair compensation for a lease in this area?

A. Yes, I do.

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

A. .23%.

Q. And we don’t have an escrow requirement, is that right?

A. That’s correct.

Q. Okay. So, you're asking the Board to pool those parties listed on Exhibit B-3?

A. That's correct.

Q. Now, if the Board grants our request and provides an order to us or enters an order, what address would be used for any elections that would be made?

A. Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212.

Q. And that should be the address for all correspondence?

A. That's correct.

TIM SCOTT: That's all have for Mr. Horn.

MARY QUILLEN: Any questions for Mr. Horn from the Board?

DONNIE RATLIFF: Madam Chairman. Is this really 1 to 400?

PHIL HORN: Probably.

TIM SCOTT: Yes, sir.

DONNIE RATLIFF: Than this is not 1 to 400?

TIM SCOTT: No, sir.

PHIL HORN: No.

TIM SCOTT: We kind of scoot those down for mailing purposes.

SHARON PIGEON: This one is 320 acres.

MARY QUILLEN: Are there additional questions?

DAVID ASBURY: Madam Chairman, in the permit that was an objection, I think we gave the Board copies of that in your package, from a Ruth Mullins Quesenberry. I just wanted to make the Board aware of that. One the plat presented, Ms. Quensenberry's acreage is in the bottom right or southwest corner of the unit with her objections.

PHIL HORN: She's the only person that did not lease. No, I am not familiar with anything that...we didn't apply for a permit. I mean, in this notice she sent a letter, I'm assuming.

DAVID ASBURY: Yes.

PHIL HORN: We're just---.

DAVID ASBURY: It's not about the permit. She just objects in her letter that she objects to the proceedings and the notice of hearing regarding her acreage on this particular unit. She says, "I will not be appearing on November the 17th, however, please accept this letter as my position of the proceedings. I do not feel that I need justify my position about this."

PHIL HORN: We've contacted her and basically she wanted us to pay more of a bonus than we're willing to pay. That's why we couldn't work with her.

TIM SCOTT: But you have attempted to contact her

to reach an agreement with her?

PHIL HORN: Yes, she has a lease. We've talked to her several times in person.

TIM SCOTT: Okay. So, that's an objection to this application and not to a permit, is that correct, Mr. Asbury?

DAVID ASBURY: That's correct.

TIM SCOTT: Okay.

DAVID ASBURY: And her objection was made to the Gas and Oil Board.

MARY QUILLEN: Just to clarify this, she said that she feels that she doesn't need to justify the position. So, you are confident that it's...her position is that she wanted a...wanted more---?

PHIL HORN: She wanted a higher sign on bonus than we offered her?

MARY QUILLEN: ---of a sign—

PHIL HORN: Yes, ma'am. That's what the last correspondence she had with field landman. That's what he told her that if we paid her X amount dollars she would sign a lease.

MARY QUILLEN: She would sign. Okay, thank you.

TIM SCOTT: Mr. Horn, for the record, would you please tell the Board exactly what her percentage

contribution is to this unit?

PHIL HORN: Inside the unit, she has .75 acres or .23%. She's the only party inside here that's not leased.

TIM SCOTT: Okay, thank you, Mr. Horn.

BILL HARRIS: A comment, if I might. This is interesting the way she states it. It says, "This is notice that I am not consenting to any such lease for the reasons stated in said application and notice of hearing." That's not being very clear at all as to...I mean, I'm not saying, you know---.

PHIL HORN: I think she's...from what I understand, she's an elderly lady. She has had this property for like forty or fifty years. You know, we offered her a mutual consent lease where...we don't want to get on her property, but if we did, you know, she could approve anything we wanted to do and she came back and wanted like I said a higher than a twenty-five dollar acre sign in bonus and we just went ahead and went through with the force pooling. This is first I've heard of this letter. I didn't know anything about it.

BILL HARRIS: It's not really clear from the letter what she's objecting to. I mean, it says, "For the reasons stated in the application."

PHIL HORN: I think she's objecting to being force

pooled, I guess, is what she's referring to.

MARY QUILLEN: Is that 7.5 acres in this little tiny triangle that's barely up inside of the unit right there?

PHIL HORN: Yes, ma'am. .75 acres. Most of her acreage falls outside of this unit, as you can see.

MARY QUILLEN: Outside, okay. That---.

PHIL HORN: We tried to lease her entire tract. We didn't just try to lease this .75 acres.

MARY QUILLEN: Oh, okay. But the only thing that's going to be pooled then is that 7.5?

PHIL HORN: That's correct.

SHARON PIGEON: Not 7.5. .75.

TIM SCOTT: .75.

MARY QUILLEN: Oh, .75, okay. I'm sorry, I misunderstood.

PHIL HORN: And if and when we drill...we'll have a unit to the south that we'll encounter again if we drill another...get a unit south of here, we'll run into her again.

MARY QUILLEN: Right. Okay. Okay. Any other questions?

(No audible response.)

MARY QUILLEN: You may continue.

TIM SCOTT: Thank you.

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, again, your name, by whom you're employed and your job description.

A. My name is Gus Jansen. I'm employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. And you participated in the preparation of this application?

A. That's correct.

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

A. 9,250 feet.

Q. And the estimated reserves?

A. 1 million...1 bcf or 1 thousand mcf.

Q. So, in this case, you also participated in the preparation of the AFE, is that right?

A. That's correct.

Q. So, you're familiar with the well costs?

A. Yes, I am.

Q. What's the proposed dry hole costs?

A. $756,131.

Q. And the estimated completed well costs?

A. $1,454,118.

Q. And, again, you participated in the preparation of the AFE, is that right?

A. That is correct.

Q. And it does have a reasonable charge for supervision, is that correct?

A. That's correct.

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

A. Yes, it would.

TIM SCOTT: That's all I have for Mr. Jansen.

MARY QUILLEN: Any questions for Mr. Jansen from the Board?

(No audible response.)

MARY QUILLEN: You may continue.

TIM SCOTT: That's all I have, Madam Chairman.

MARY QUILLEN: Do I hear a motion for approval?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Is there a second?

PEGGY BARBER: Second.

MARY QUILLEN: We have a motion and a second. All those in favor, please respond by saying yes.

(All members signify by saying yes, by Mary Quillen and Donnie Ratliff.)

MARY QUILLEN: Those opposed, no.

DONNIE RATLIFF: I'll abstain, Madam Chairman.

MARY QUILLEN: Motion carries. On abstention, Mr. Ratliff. You have approval.

TIM SCOTT: Thank you, ma'am.

GUS JANSEN: Thank you.

MARY QUILLEN: The next item on the agenda number twenty-nine, docket number VGOB-93-0216-0325-20. All those wishing to respond to this agenda item, please come forward.

JIM KAISER: Madam Chairman, it will be Jim Kaiser, Justin Phillips and Frank Henderson for Appalachian Energy.

(Frank Henderson is duly sworn.)

MARY QUILLEN: You may proceed.

JIM KAISER: We'll begin with Mr. Phillips.

JUSTIN PHILLIPS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Justin Phillips. I'm the land manager for Appalachian Energy, Inc.

Q. And do your responsibilities include this unit?

A. That's correct.

Q. And did we previously obtain a force pooling for this unit that included both of these wells, both AE-208 and AE-209?

A. Yes, we have.

Q. And has everybody required by statute been noticed of this hearing today?

A. Yes, they have.

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

MARY QUILLEN: Are there any questions for Mr. Phillips from the Board?

(No audible response.)

MARY QUILLEN: You may continue.

FRANK HENDERSON

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Frank Henderson, Appalachian Energy, President.

Q. And, obviously, your responsibilities include any drilling in this particular unit?

A. That’s correct.

Q. And you have prepared to help...with the illustration of your today, you have prepared three different exhibits that have been passed out to the Board, is that correct?

A. That’s correct.

Q. Could you, in using these exhibits, explain to the Board why you feel that increased density drilling in this particular...particularly in this particular area, which I think we call the Dwight Whitewood area is advantageous both to yourself as an operator and to the royalty owners?

A. Sure. If you look at Exhibit A, which is the exhibit that depicts all of the units, we have currently all of the units that are colored in the yellowish colored gold...yellow color. There are thirty units that we have previously been approved for increased density drilling. We’re currently applying for the blue unit, which is I-38 that’s proposed today. To date we have drilled fifteen... fifteen of these units have two wells drilled in them and

you've heard prior testimony from Mr. Blake on our company's behalf relative to the...relative to the engineering aspects of increased density drilling and I went ahead and prepared some graphs. He was not able to join us today. I did prepare some graphs. I think Exhibit B is pretty self explanatory. If you look at it, the...what we have done is plot basically wells drilled in this immediate area of increased density drilling over time. You can see their production in decatherms, the monthly production. As well as we're added, the graph increases for those particular wells. All of the blue part of the graph is the first well that was drilled in the unit. The second well that was drilled in the unit is reflected by the red section of the bar. Of course, the top portion...the top black line is the total production on a monthly basis contributed by the respective wells in those units over the time period from January '07 to August '09. I think when you look at the combined production, it's clearly...when you look at the graph it's quite clear that incremental production, which is the second well clearly is advantageous from a production standpoint and it would also be advantageous from a royalty standpoint to the royalty owners. It very clearly depicts the...adding a second or drilling two wells in the unit is beneficial. Exhibit C is a table, which is just some

background information listing the well numbers and the units that they're in and the turn in line date, this was the information that was used to generate the gas for Exhibit B. We've just listed the cumulative production out in the rate column of that table and if you added up all of the months from January '07 to August '09 we used the production data that has been submitted to the state for this graph and the cumulative production it would be reflected in those numbers and the right hand column. That's all I have.

MARY QUILLEN: Mr. Henderson, I just have one comment that in the past sometimes we have seen that the production of the first well tends to drop off some when you drill that second well. But it looks like there has only been one little deep in the production and it seems to be, you know, pretty steady production over the life of that first well and the second---.

FRANK HENDERSON: Correct.

MARY QUILLEN: ---is the production goes up---.

FRANK HENDERSON: You have to keep in mind, these are...these are fifteen wells that are being added over time---.

MARY QUILLEN: Right. Uh-huh.

FRANK HENDERSON: ---in each unit. So, you are

seeing a gradual increase in the production. The difference that you're seeing in April of '08 was a pipeline curtailment that we had. So, all the wells were affected by a curtailment there. But as you can---.

MARY QUILLEN: It's a steady---.

FRANK HENDERSON: ---the general trend is an increase...as we're adding wells the production is increasing. Then, of course, when you...by adding the second well it's an obvious benefit as shown in the graph.

MARY QUILLEN: So, all fifteen of these wells that you have that increased density is reflected here and it is possible?

FRANK HENDERSON: Actually, there's fifteen units, there's a total of thirty wells.

MARY QUILLEN: Thirty wells.

FRANK HENDERSON: That's correct.

MARY QUILLEN: Right. Yeah, for the increased density. Thank you. Any other questions for Mr. Henderson from the Board?

BILL HARRIS: Just a couple. One is a procedural one. Should we make these exhibit double...in other words, AA, BB, CC or---?

FRANK HENDERSON: My apologies.

SHARON PIGEON: The ones that are handed out are

supposed to be double letters, yes. So, we should do that.

BILL HARRIS: I just wanted to make sure that---.

SHARON PIGEON: Well, we don't want to confuse it with the exhibits that come with the application. That's our thought process.

BILL HARRIS: I do have a question. And the question is, again, about this whole...you all have talked about this zero shifted and what is it called where these didn't all come on line at the same day, but they come along at different times.

FRANK HENDERSON: Correct.

BILL HARRIS: So, this is accumulated---.

FRANK HENDERSON: If you look at table C, it shows the turn in line date, which is the date that the wells first went on production. They were added over time. Of course, we don't have the...I know other operators have shown that they might have had a couple years of production with one well in the unit. We didn't have...we didn't have that luxury here. We were drilling and adding wells as we went. But I just wanted to dry show what the difference...it's not like your second well is a much smaller amount or, you know, you're still seeing a contribution from both wells is what we were trying to...trying to reflect here.

BILL HARRIS: I was just trying, I guess, wrap my head around this zero shift thing, you know, because I know that that's done. You know, all thirty wells didn't start at the same date and the same time---.

FRANK HENDERSON: Correct.

BILL HARRIS: ---and start producing---.

BRUCE PRATHER: I think what this is showing is it's showing that it takes four or five months for these things to start picking up production. In other words---.

FRANK HENDERSON: Well, and if you look at you---.

BRUCE PRATHER: ---you know, you've got your water and the desorption gas has to start coming in.

FRANK HENDERSON: And if you do look at table...at table CC or table...the table in Exhibit CC, it has the dates of when---.

BRUCE PRATHER: Right.

FRANK HENDERSON: ---the wells were actually turned in on line. I didn't show every month's worth of production. I just tried to show those particular dates. All of the production data is public record.

MARY QUILLEN: Well, and it shows that these are...they came on line fairly close together. So, it wouldn't be that much of a difference in the time of when they came on line for most of these.

BRUCE PRATHER: I think this whole...this whole time is two years and eight months. It's very impressive.

MARY QUILLEN: Yeah, there were just a couple of places that you had any kind of a gap between where the first and the second one came on line or when these additional wells came on line. Then the first and the second one came on very close together.

DAVID ASBURY: Excellent---.

MARY QUILLEN: Any additional...any additional questions for Mr. Henderson?

(No audible response.)

MARY QUILLEN: You may continue.

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

MARY QUILLEN: Do I hear a motion for approval?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Do I hear a second?

PEGGY BARBER: Second.

MARY QUILLEN: We have a motion and a second. All those in favor, please respond by saying yes.

(All Board members signify by saying yes, but Mary Quillen.)

MARY QUILLEN: Opposed, no.

(No audible response.)

MARY QUILLEN: Motion carries. You have approval.

JIM KAISER: Thank you.

MARY QUILLEN: Now, if we would care to turn back to agenda item number two. The Board has received proposals for awarding the escrow agent accounting services contract. The Board has had an opportunity to review the responses to the RFP. We had two institutions that did respond to that. We're now open for discussion from the Board or comments. Information from the Board members.

BRUCE PRATHER: Madam Chairman, I've got a letter here from Debbie Davis, the trust officer from First Bank & Trust Company. I called her up because they weren't advised of that tax preparation fee that Wachovia had. So, I have a letter here in which she says what they will do these for.

MARY QUILLEN: Do you have a copy of that?

DAVID ASBURY: I don't think so.

BRUCE PRATHER: Here get an extra.

MARY QUILLEN: Here give him this. Then I'll...I've read it. Would you explain that Mr. Prather?

BRUCE PRATHER: Well, what it was was that Wachovia/Wells Fargo their tax preparation fee for this form 1065 was $500 per each form. This is an annual thing that is done during tax season. When First Bank & Trust were here, we didn't ask them anything about this. When I called

her, I told her that that was one of the things that was bothering me. We weren't exactly comparing oranges to oranges if we didn't know what this tax preparation fee was. She said they weren't aware of it. So, anyway, she wrote me a letter here in which she says what they will do for tax preparation fee for so that at least we've got everything on the same basis.

MARY QUILLEN: And those forms 1065 are prepared for the working interest owners in...I guess, Mr. Asbury, could you tell us approximately how many of those---?

DAVID ASBURY: I don't have an exact number.

MARY QUILLEN: Approximately. I mean, just sort of a ballpark figure.

DAVID ASBURY: A guess would be less than twenty-four or less than a couple of dozen of elections.

MARY QUILLEN: Okay. So, it would be a significant difference between...and what was the...Mr. Prater, what was the difference...what was the charge from...that was submitted by Wachovia?

BRUCE PRATHER: 500.

MARY QUILLEN: 500?

BRUCE PRATHER: Per unit.

BRUCE PRATHER: Okay. If you had 24 times 350 that equals $8400. Okay, if we take 500, that's 12,000. Are

there any other questions regarding this?

MARY QUILLEN: Would you...Mr. Prather, would you like to address the administrative fee?

BRUCE PRATHER: Well, the administrative fees as far as Wachovia is concerned and Wells Fargo, they have an administrative fee. I don't have it in front of me here right now. Then, they've also got a fee that's $8 per unit. Now, whether that's $8 per when they do activity on it or is it just a flat $8 per month per account that we have in this escrow account. Which would it be David? Are you familiar with how they?

DAVID ASBURY: The fee, as I understand it, as Wachovia presented it to us is the $8 per unit includes their administrative fees on an average of $8 total per unit per month.

SHARON PIGEON: Per month.

BRUCE PRATHER: Per month.

DONNIE RATLIFF: Per unit and not per account?

DAVID ASBURY: That's correct.

MARY QUILLEN: Per unit?

DAVID ASBURY: Per unit. And their total cost on an annual basis is about $70,000.

BRUCE PRATHER: Yeah.

DONNIE RATLIFF: For that one---?

DAVID ASBURY: For the escrow account.

BRUCE PRATHER: And that includes their administrative fee?

DAVID ASBURY: As I understand their presentation, their contract is $7 per unit plus the administrative, which in total brings it to an average of $8 per unit in the escrow account. They're charging...I think their proposal would be, isn't it, 12 basis points, which is one-twelfth plus the other costs that were added on.

MARY QUILLEN: And what were the points from First Bank?

DAVID ASBURY: 10 basis points.

MARY QUILLEN: 10 basis points.

BRUCE PRATHER: 10 basis points. Yeah, it would be...it's done on a monthly basis.

MARY QUILLEN: On a monthly basis.

DAVID ASBURY: Correct.

MARY QUILLEN: Both of them are.

BRUCE PRATHER: Yeah.

MARY QUILLEN: And so it's about $70,000 for those fees for Wachovia/Wells Fargo, correct?

DAVID ASBURY: Yes, that's correct. And as you...as the Board knows, as you approve additional units in escrow that fluxates?

MARY QUILLEN: Exactly. That would increase. It would fluxate. Okay, now, the administrative fees for First Bank & Trust that is based on---?

BRUCE PRATHER: That's one-tenth of 1% of the total market value.

SHARON PIGEON: The balance of it.

MARY QUILLEN: So, that would be...that would be the balance in the escrow account---?

BRUCE PRATHER: On a monthly basis.

MARY QUILLEN: ---on a monthly basis? So, if we have approximately 24 million. So, this would be approximately 24,000.

DAVID ASBURY: That's correct.

MARY QUILLEN: As versus, how much, 70,000 per month with the Wachovia?

DAVID ASBURY: Well, it's 70,000 total per year.

BRUCE PRATHER: Per year.

MARY QUILLEN: Oh, per year.

BRUCE PRATHER: Yeah.

DAVID ASBURY: Yes, ma'am. So, you're looking at difference of 24,000 or 25,000 to 65,000 or 70,000. That's the difference.

BRUCE PRATHER: About $50,000.

MARY QUILLEN: About $50,000.

DAVID ASBURY: As I understand their presentation.

MARY QUILLEN: And it---.

SHARON PIGEON: What is says here, just to read it so we maybe don't have to interpret it, it says, under the Wells Fargo sheet, "Proposed fees: Base fee - 12 basis points per annum on average cumulative escrow balance payable annually in advance." Next bullet, "$8 per account per month." Next bullet, "No other base accounting or reporting fees. No fees for monthly data entry disbursement and accounting. Monthly, quarterly, annual and on-demand reports and 1099 preparation." The next bullet, "No investment management suite 12B-1 or asset management fees hidden or explicit." The next bullet, "Form 1065s will be provided when required requiring coordination with the operator's cost will be $500 per form."

DAVID ASBURY: Thank you.

BRUCE PRATHER: Madam Chairman, could I make a comment?

MARY QUILLEN: Mr. Prather.

BRUCE PRATHER: I think one of the problems that I've got with the presentations is we know what Wachovia/Wells Fargo can do because they have been the holder of this account for many years. The big problem that I see with the thing is, I hope First Bank is not

underbidding themselves. I hope they're not taking more than can handle. Otherwise, I don't think there's much of a problem to see who would...who would be the next bank that would be holding these escrow accounts. But I do have a little problem with that. Now, we've been told, but we don't know for sure. I don't know what David gave them on the RFP along the lines of what is required on a monthly basis for your account.

DAVID ASBURY: Right. The RFP is specific. We'll go by those guidelines.

BRUCE PRATHER: Oh, okay. I mean, the only thing that bothers me is I would sure like to make sure that they can do what they say they can do for the account if that would be the case. It...now, the letter that I've got here says, "The administrative fee that will be calculated and taken on a monthly basis. We use the month end market value in this calculation. The tax preparation fee would only be taken at the time a form 1065 is required to be completed and filed. We do understand the complexity of managing this account on a day to day basis. Our feeling is that with the technology available to us within our organization the proposed fee is more than sufficient." That's how they left me with this thing. I know nothing about First Bank & Trust. If anybody else has any experience with them or

anything else that they would like to comment, I'd be more than happy to hear it.

MARY QUILLEN: Does anybody else have a comment that they might want to share?

PEGGY BARBER: David, what is the length of the agreement if one or the other was to be awarded? What's the length of it?

DAVID ASBURY: Wells Fargo/Wachovia is on an extended six months because the first RFP was not approved in April. That expires December the 31st. The staff has made arrangements to contact both parties either later today or through a conference call and visit those individuals beginning tomorrow.

SHARON PIGEON: The length---.

PEGGY BARBER: But if it's more---.

MARY QUILLEN: What would be the contract they are requiring, the new contract?

DAVID ASBURY: Oh, this...it's a five year contract with a five year renewal. I'm sorry.

PEGGY BARBER: Period.

DAVID ASBURY: Yes. Initially five year terms and five years renewable by the Board.

BILL HARRIS: Along those same lines, when they make a proposal are they held with staying with that for the

five year period? Is there an opportunity...I mean, if the economy does one thing or the other...I know we can...as we have with Wells Fargo/Wachovia maybe change where we put money and how we place it, but...and I know we'll probably still have that option, but---.

DAVID ASBURY: Yes, sir.

BILL HARRIS: ---if all of a sudden...well, I'm not sure if I can give you a good example, but all of a sudden they realize, hey, this isn't...you know, these fees aren't adequate. Of course, I guess, that's their...their problem. I mean, in other words, in two years if the economic outlook is better or worse and they need to make an adjustment, is there any provision to make an adjustment?

DAVID ASBURY: All decisions will have to be made by the Board.

BILL HARRIS: So, if they come in with a request---?

DAVID ASBURY: If they come with a request, then it's...the Board can, you know, review and discuss that option with them at that time. Just like with the other carries, whether it's Wells Fargo or First Bank either one, the Board is going to have to approve the investment direction. There were multiple investment directions offered during the presentation and going forward, the Board

will have to hear those presentations likely in December.

PEGGY BARBER: It just looks like---.

SHARON PIGEON: And the Board has changed---.

PEGGY BARBER: —from the RFP that it's a four year contract on the dates that's---.

DAVID ASBURY: I may have misspoke.

SHARON PIGEON: I think you corrected the dates on one of them. I think you made a correction of dates. I think it's supposed to be five years.

PEGGY BARBER: So that should be December the 31st, 2015?

DAVID ASBURY: The term is five years beginning January 1, 2010 through December 2014.

MARY QUILLEN: That's four...I mean, that's five years.

SHARON PIGEON: Counting '10 as one. But there was...I think there was a corrected sheet at one time on that.

DAVID ASBURY: There was a corrected addendum. The first one was four years, you're correct.

SHARON PIGEON: But as far as the direction of the investments, that has been changed more than once during the life of this last previous contract. So, from time to time I think that perhaps you all even asked Wachovia to come

back and present other investment opportunities so you wouldn't be locked into---.

BILL HARRIS: Well, I wouldn't so concerned about the investment choices so much as fees. Bruce was saying that, with all due respect to the bank and it's...whatever, you know, being sort of an unknown, I guess he was concerned that they may...well, I don't want to put words in his mouth, but they may have bitten off more than they can chew and not realize it until they get into it. I'm not sure how we would deal with that with...because we couldn't go back and say, well, we'll give you a little more money or whatever. I mean, it's---.

DAVID ASBURY: This is...you know, this is a...you know, this is a decision that the Board has. The contract is the contract and the parties have---.

SHARON PIGEON: There's a provision in there to make changes to contracts with the consent of both parties, isn't there in that? I mean---.

BILL HARRIS: Yeah, okay.

SHARON PIGEON: And so they could come before you and they could make a presentation on why it's not fair for them or whatever. I mean, I'm not advocating either one.

BILL HARRIS: Right.

SHARON PIGEON: But to address your question,

either of the two that have been before us would have that same option to come back to the Board and say time have changed and we can't continue to do this. If you can't approve any more money, we're going to have to default or whatever or you all might want to them to come back because you think they're making a lot more money now then they thought they would at the time.

BILL HARRIS: What happens if there is a default in the contract? What happens to the money in escrow? Will that revert---?

SHARON PIGEON: Well, your money is going to be protected by your insurance and your investments and so on. As far as this contract defaulting, that's...you know, a contract...a broken contract is a litigation matter. You're not talking about the bank going under. That's two different things. You'd have a right to file suit against them and sue them for failing to fulfil their contractual obligations if they did not or, again, you all could vote and decide to move the contract to a different carrier.

DAVID ASBURY: We hope to return...regardless who the carrier is or what the decision is today, you know, we, the Division and your staff, stays in pretty well constant communication with your escrow agent on issues and sometimes daily. You know, when the interest rates and we went

through this financial change in the market, the four and a half and 3 and a half percent interest that the account was enjoying in 2005, 6 and 7 started declining, you know, last year because the majority of it was in T bills. If you look at your T bills account it would have been nice to have enjoyed a 1% interest. But the actual T bill account was less than one-tenth of a 1% over a long time. So, instead of 1% your T bills was like .1 or .12% and those have just started going back up toward 1% and more. And as far as protection of the account in T bills, they're supported by the full face of the U. S. Government and that's your protection. Now, the vehicles that both parties have presented to the Board, again, whoever the successful candidate is will likely need to come back in December and explain what their 2010 investment options are to the Board at your December meeting regardless of who is the successful candidate. I think they need to come back or suggest that they would come back and present the exact specifics on the investments beginning January 1, 2010 to the Board.

MARY QUILLEN: Well, I have...and I questioned the day that they came and made their presentation, it makes me a little nervous when they were talking about that only $250,000 of the 24 million was covered by FDIC and the balance of this was collateralized with some of these

institutions that have been and continue to be a little shaky. It makes...they gave two of the names of two of the banks that were collateral...collateralized part of our investments. The third one he could not remember right off the top of his head, but it was in some of the information that we received. That made me even more nervous as I saw that. We had a second option even though possibly it may not have been the greatest return in investments, but it was a much lower risk. The accounts would be set up in individual accounts where they were less than $250,000. So, each account is covered by FDIC for the $250,000, which was certainly more comforting than thinking about a very, very large junk high percentage that was collateralized with institutions that gave cause to---.

DAVID ASBURY: Well, the Board made some excellent decisions last October, November and then again in April.

MARY QUILLEN: Yes.

DAVID ASBURY: You protected the principal and made good investment decisions through very tough financial market fluxations.

MARY QUILLEN: Yes, it was.

BRUCE PRATHER: Madam Chairman, I've got a question for David.

MARY QUILLEN: Yes, Mr. Prather.

BRUCE PRATHER: David is the contract that Wachovia proposed to us forthcoming, is it the same contract that you worked under...that you're working under right now or did they increase it any? In other words, I don't know what the---.

DAVID ASBURY: The fees?

BRUCE PRATHER: I don't know what the fees were that we're working under today versus what they have proposed.

DAVID ASBURY: The fees were actually reduced.

BRUCE PRATHER: The fees were reduced?

DAVID ASBURY: The basis points, I think, were 12 and a half and they went back to 12.

BRUCE PRATHER: Okay.

MARY QUILLEN: I believe I remember him saying that in the presentation.

BRUCE PRATHER: Okay.

DAVID ASBURY: Yes.

SHARON PIGEON: Did they charge a separate fee though for the individual accounts before? I don't recall that.

DAVID ASBURY: I don't think so.

SHARON PIGEON: At least at one time I know they didn't. I don't know when that changed.

DAVID ASBURY: I think...I'm not sure when that changed. But---.

BRUCE PRATHER: See, as long as the economy is bad then we're probably...on Wachovia's monthly fee basis we're probably going to be on the hole...in the hole on our investments. In other words, it seems to me like that after the economy gets better than we'll come up and we'll be able to handle their overhead against the accounts. But right now, I'm not too sure...with the economy going down, I'm not too sure we're doing that.

DAVID ASBURY: September and October were about the same. So, just statistically September and October as far as the net income...income against fees were about the same which may indicate that hit bottom. (Inaudible) the improvements are beginning to (inaudible).

BRUCE PRATHER: Yeah.

KATIE DYE: Madam Chairman.

MARY QUILLEN: Yes, ma'am.

KATIE DYE: I just have a comment. I think in looking First Bank & Trust and looking at their ability to provide the FDIC insurance for up to 50 million dollars, you know, I think that offers the public a good feeling of safety.

MARY QUILLEN: Confidence.

KATIE DYE: Yes. You know, like the other... Wachovia...and it is collateralized like through the Bank of New York and probably two other banks. I think we have to look at the facts that what happens if the Bank of New York fails and Wachovia should fail, you know, for some time then we have really nothing basically to fall back on.

MARY QUILLEN: Any...anyone else have any comments that they would like to make?

DONNIE RATLIFF: Yeah, I'm confused about the asterisk paragraph at the bottom of attachment B of First Bank's...I can read that. There's that 23,000 as an annual fee. I can read that that 23,000 is calculated monthly.

SHARON PIGEON: Where are you?

BILL HARRIS: Excuse me, can you show us what document you're looking at? What's the front of it?

DONNIE RATLIFF: This one.

BILL HARRIS: Okay. See we have two from---.

DONNIE RATLIFF: Page nine.

BILL HARRIS: Page nine?

DONNIE RATLIFF: Uh-huh.

DAVID ASBURY: We can look at testimony, Mr. Ratliff, but I believe their attempt was...their attempt here was to look at year-end balance. One-tenth of 1%.

MARY QUILLEN: Times the account balance as of

December the 31st, 2008.

SHARON PIGEON: That’s how they got the figure up at the top.

BILL HARRIS: Yeah.

SHARON PIGEON: But what they’re saying is they’re going to do that every month.

PEGGY BARBER: Monthly.

SHARON PIGEON: Get your monthly fee. That 23 million is---.

BILL HARRIS: So, it would be one-twelfth of one-tenth?

MARY QUILLEN: So---.

SHARON PIGEON: ---just what it was on that particular date. It will change if we have more money going into the account.

MARY QUILLEN: But will that...will that be---?

SHARON PIGEON: It will be one-tenth of the balance each month---.

BILL HARRIS: Yeah.

SHARON PIGEON: ---period.

BRUCE PRATHER: (Inaudible).

SHARON PIGEON: Yeah, that’s what...that’s what it is. That’s what it was on the 31st of December, that number. It’s not going to be that same calculation.

DONNIE RATLIFF: So, it's 23900 a month?

BRUCE PRATHER: Yeah.

SHARON PIGEON: It's one-tenth of the balance---.

MARY QUILLEN: Of the balance.

SHARON PIGEON: ---in escrow.

BRUCE PRATHER: The total market value.

SHARON PIGEON: That's what was in escrow on that date. So, if we have more deposits and don't have disbursements it will go up. If we have more disbursements it will go down.

DONNIE RATLIFF: That's true and if Wachovia is charging twelve basis points and you're saying we're paying them $70,000 a month...a year that don't add up.

SHARON PIGEON: Well, we haven't had 23 million dollars in there all that time that that $70,000 was being accumulated.

BILL HARRIS: Let me kind of reask that. So, the monthly amount would be one-twelfth of one-tenth times each month...one-twelfth---.

SHARON PIGEON: Wachovia's amount is one-twelfth on annual basis. They want it in advance. Didn't I read that just a minute ago? First Bank is one-tenth of the balance and they're going to collect it on a monthly basis. And, of course, Wachovia is also going to have the separate account

charge as an additional charge, which First Bank is not wanting to charge.

DAVID ASBURY: Do we need this specifically clarified before you vote?

BILL HARRIS: I think it's...well---.

SHARON PIGEON: Is there any confusion about that?

BILL HARRIS: It says base fee may vary. It doesn't the base...well---.

SHARON PIGEON: The percentage won't vary, but the amount of the balance---.

BILL HARRIS: The percentage won't vary, the actual dollar amount may vary from month to month.

SHARON PIGEON: Based on the account balance, correct.

BILL HARRIS: Based on the account balance.

SHARON PIGEON: It will be one-tenth or it will be one-twelfth. One is going to be charged in advance as annual fee.

MARY QUILLEN: And then an additional $8 per---.

SHARON PIGEON: Per account.

MARY QUILLEN: ---account per month.

BRUCE PRATHER: But is that on a...as they do something on the unit is that just an overall basis number to that 700 and some units and $8 or would it be if you

normally did work on 500 of it?

MARY QUILLEN: It was my understanding that it would be on every account that's in the---.

BRUCE PRATHER: That was my---.

MARY QUILLEN: That was my understanding.

SHARON PIGEON: That was my understanding as well. But, you know, I don't think anyone asked that question. But when they said that, they may no disclaimer about on the accounts that require service or anything like that.

MARY QUILLEN: Right, they never...yeah. Right. Because we asked, you know, that $8 per month per account.

SHARON PIGEON: Every sub-account that they have to open.

MARY QUILLEN: Exactly. They didn't qualify that by saying the accounts that were active.

BILL HARRIS: Were active, yeah.

SHARON PIGEON: Correct. I think that mean if it's one they have to set up because they will generate a report on it and if there's no activity, you know, just like a bank statement---.

BRUCE PRATHER: Yeah.

SHARON PIGEON: ---so they run them off to be paid for that.

(Board members confer among themselves.)

SHARON PIGEON: I think it is note worthy, I don't know if it matters to you all or not, and I don't have a (inaudible), but, again, back to this base fee, the difference between the 12 and the 10 basis points, First Bank is proposing to charge that amount on a monthly basis. According to the RFP, Wells Fargo says that they want that payable annually in advance.

MARY QUILLEN: In advance.

SHARON PIGEON: So, they're expecting a year's worth of that money for fees---.

MARY QUILLEN: In advance.

SHARON PIGEON: ---when they sign this new contract.

MARY QUILLEN: Right.

BRUCE PRATHER: What happens if at the end of the year and thing goes down and we pay them an advance, do they give us a refund?

SHARON PIGEON: I think not.

MARY QUILLEN: I think that those points---.

SHARON PIGEON: Theirs are calculated on the front end. That's what they're telling you.

MARY QUILLEN: On the front end and whatever that is and hopefully that by the end of the year it's going to go up...the balance will go up, but we have no guarantees.

BRUCE PRATHER: Yeah, if it goes down---.

MARY QUILLEN: If it goes down---.

BRUCE PRATHER: ---and we've pay it in advance we ought to get a refund.

SHARON PIGEON: They're telling you that's the calculation date and it's not going to matter whether it goes up or down.

BRUCE PRATHER: Yeah.

SHARON PIGEON: The due date is on the front end. I just wanted to call that to your attention.

BRUCE PRATHER: Right.

MARY QUILLEN: Right.

BILL HARRIS: And see, they're going to base that, on what, the previous years?

SHARON PIGEON: They're going to base it on the balance---.

MARY QUILLEN: The balance.

SHARON PIGEON: ---the day that contract starts.

MARY QUILLEN: Right. That would be January 1. Whatever is in there January 1, 2010.

BILL HARRIS: They will do---.

MARY QUILLEN: That's what---.

SHARON PIGEON: They will do the calculation for the 12 basis points then and they will take it out of the

account then.

MARY QUILLEN: Yes.

SHARON PIGEON: Because that's when they expect it. Annualized fee in advance. Then the monthly charge, I'm assuming for the...all the accounts will----.

MARY QUILLEN: Will be on a monthly basis? Those come out on a monthly basis?

SHARON PIGEON: Well, there's no other way for that to be because that's going to change.

MARY QUILLEN: My letter here says, "We will use the month-in market value in this calculation."

SHARON PIGEON: You're reading the letter from First Bank and not from Wachovia.

BRUCE PRATHER: Yeah, but I mean...I mean, this the way First Bank is doing theirs.

SHARON PIGEON: First Bank is not charging us an amount for each account. Don't get out proposals mixed up here.

DONNIE RATLIFF: Madam Chairman, I know we're looking at December, but I'd just feel better if I had definite answers that we knew exactly what they mean when they submitted it because I'm not sure I do right now. I don't know that we can assume that...I mean, I was ready to vote until---.

BILL HARRIS: Until you saw the asterisks?

DONNIE RATLIFF: Yeah. If you convince that's all that that is and that's the maximum then I'm ready to go.

DAVID ASBURY: I just emailed Mr. Harding to get the answer.

DONNIE RATLIFF: Okay. Thank you.

BILL HARRIS: I mean, what it says here---.

DAVID ASBURY: It's my belief and this may be wrong, but the way they presented it is that $23,983 was their annual fee---.

KATIE DYE: That's the way I understood it.

DAVID ASBURY: ---to handle the account---.

BILL HARRIS: Based on that amount (inaudible).

DAVID ASBURY: ---based on the calculation of 10 basis points against the balance of the escrow account.

MARY QUILLEN: And that was the escrow...and that was the balance that was in there in December of 2008 was the (inaudible) and that's why they use the $23,000.

DONNIE RATLIFF: And how do we handle Mr. Prather's letter that he got. He wasn't part of the presentation.

DAVID ASBURY: And RFP can be negotiated. So, in my...and Ms. Pigeon can correct me if I'm wrong, but with that letter that becomes part of your decision.

SHARON PIGEON: That was just a clarification---.

DAVID ASBURY: Clarification.

SHARON PIGEON: ---to a question that Mr. Prather asked. I don't think there's any...it's not as though we're amending anything here. It's just an added piece of information.

BRUCE PRATHER: Well, what I was trying to do is to get oranges to oranges. In other words, there was no tax preparation fee in the First Bank presentation to begin with.

SHARON PIGEON: That is true. That is true. I think that had they gone forward with the contract on the basis of their presentation they would not have been able to charge you a fee for that because they just omitted to include it quite frankly as a lawyer speaking. I'll tell you I think they left that out. But now that they've had the opportunity to go back and add that in, thank you for giving them the opportunity to do that.

BRUCE PRATHER: Well---.

SHARON PIGEON: (Inaudible). You can always thank him for these chances.

BRUCE PRATHER: Oh, you're welcome.

BILL HARRIS: So, from a legal standpoint you're saying that we can incorporate the letter as part of their response to the RFP and that's...you think it would be

appropriate---?

SHARON PIGEON: I think it will be appropriate because it was not a specific item in the RFP originally. It became an issue of---.

MARY QUILLEN: Now, that we have it it must---.

BILL HARRIS: It was done before we voted. So, I mean, I would think we would be able to consider that---.

SHARON PIGEON: It's a clarification now. It's an issue that we didn't realize was an issue before. So, now we have it and you have additional information. So, it's part of what you're considering.

(Board members confer among each other.)

SHARON PIGEON: While we're waiting for a response, does anyone else have any comments that they would like to make?

CATHERINE JEWELL: From us or---?

MARY QUILLEN: Please.

FRANK HENDERSON: From the general public?

BRUCE PRATHER: Sure.

SHARON PIGEON: We have time.

FRANK HENDERSON: I'd just like to make a comment that I've been...after hearing that you didn't have any background on First Bank & Trust, I do business with them. We've been working with them about 12 years now. They're a

rock solid bank. I think last year they had about an 18% return, you know, which is very unusual, you know, in this kind of a banking climate. So, they're a very strong bank. They're local. As a matter of a fact, Mr. Hager, I think, started the bank here in Lebanon about fifteen or twenty years ago. They're just a local, regional type of bank. Service has been exemplary. As a matter of a fact, I dealt with First Union, which is a predecessor of Wachovia and it was merged into Wachovia years ago and I had service issues with that bank and that's why I switched to a local bank and they've been very receptive. But I just wanted to give you that kind of background three companies that we have all of our accounts there and we've had very good service and success with them. So, just as a point of interest. I just wanted to throw my two cents in.

BRUCE PRATHER: Frank, could I ask you a question?

FRANK HENDERSON: Sure.

BRUCE PRATHER: I feel a little bit apprehensive because, you know, we have no experience with this bank. Do you think that they would have any problem...if in the event this thing is a little bigger than what they thought it was do you think we would have any problem with them as far as the contract was concerned or their ability to do the job?

FRANK HENDERSON: I don't think so.

BRUCE PRATHER: Okay.

FRANK HENDERSON: From my dealings with the bank, I don't---.

BRUCE PRATHER: Okay.

FRANK HENDERSON: I'm not the bank, but I don't believe that you'd have any issues. Like I said, we've been doing business for twelve years and have had no issues, you know, to deal with. So, it's...you know, just a suggestion, if you're worried about that clarification, if you can't get it and you want to make your vote, make it contingent on that it's a monthly fee...an annual fee and not a monthly fee and then you...if Dave doesn't hear back because I know this has been stretched out and you've got to make a decision pretty quickly.

BRUCE PRATHER: Yeah.

FRANK HENDERSON: You know, just to be able to get...if there is a change in the banking institution to give that type of that transition because I know it's a pretty short...a pretty short fuse for that. But---.

BRUCE PRATHER: Thank you.

MARY QUILLEN: Thank you, Mr. Henderson. One of the things that has impressed me is First Bank did not take any TART funds. They were very up-front and they had that in their presentation. We did not get a response until just

recently that Wachovia/Wells Fargo was involved in the TART. They have returned some of the payment, but it has not been completed. They're still...I don't know what amount or, you know, what level. But that TART money was part of my money. I feel very strongly about that. Justin does too.

SHARON PIGEON: Just to add to that, I don't remember exactly how they worded it, but in the document that we were provided and I'm...I don't know enough about the handling of the TART funds to comment on it personally, but I think Wachovia/Wells Fargo indicated that because of their size they were required to take TART money. Again, I don't know anything else about that. But that was in the response that you got. So, if they were here they might have more to add to that, but just they did take the TART money, but they obviously did have TART funds involved.

DONNIE RATLIFF: Ms. Jewell has---.

MARY QUILLEN: Pardon?

DONNIE RATLIFF: Ms. Jewell has got a question.

MARY QUILLEN: Ms. Jewell.

CATHERINE JEWELL: Yeah. Actually, I agree with Mr. Henderson. I believe this bank was started thirty years ago and it was Smiley Ratliff's bank. I think that most everybody here knows who Smiley Ratliff was. It was started from the Buchanan County Coalfields and it was money

invested into the community. With respect your question, you know, the basis point, of course, is one-tenth of 1%, okay, is what they're suggesting here. You know, to think that it would be monthly would blow my mind. You make money off of interest. A certain percentage of this would be in interest, okay, and that's how the banks make money. They offer you an interest and they, of course, go ahead and loan out to somebody else. So, they're making money on this just like they're making money whenever you invest in a bank account. They don't charge you for deposits, I hope. I've never heard of anything like that. Now, there's unit, like I said, 40% of the units had deposits in Wachovia. I don't believe they're charging overall per unit. You don't see in those accounts...you don't see a charge of $8 per unit per month. Everything is brought in a big...you know, if you've got $200,000...it's proportional is what I'm saying. My other question is...and this is sort of confusing as we talk about this K-1. This is escrowed money. It's in escrow because there's a conflict. I don't understand. If you are in conflict and you are a participating member, do you file a

K-1 on money that you've not received?

BRUCE PRATHER: I think the Federal Government makes the banks do that.

CATHERINE JEWELL: They make the banks file a K-1---?

BRUCE PRATHER: Yeah.

CATHERINE JEWELL: ---on a uncertain number?

BRUCE PRATHER: I've got an interest in a trust and I get a K-1 in February...about April the 15th every year, it takes the CPA about three days to do the K-1. It's a pretty---.

CATHERINE JEWELL: But you have an interest.

BRUCE PRATHER: Yeah, I've got a...well, I've got an heirship, let's put it that way.

CATHERINE JEWELL: You've got a designated interest?

BRUCE PRATHER: Yeah.

CATHERINE JEWELL: You don't have an uncertain interest?

BRUCE PRATHER: No.

CATHERINE JEWELL: This money is not anything to anybody until it's released and that's when you would do a K-1?

BRUCE PRATHER: I mean, I'm not...I'm not familiar with 1065.

CATHERINE JEWELL: So, this really blows my mind, this $500 a year for the annual K-1. I mean, what...and

that isn't an 1099 miss, okay. That's a very...it's detailed like you said. But from what I understand today it was testified that the only thing that goes to...by Mr...who testified? Mr. Swartz. He said that the only thing that goes to the bank is the number. So, does the bank has access to this information...does the bank access to this royalty stuff? I mean, what...what's the truth? I mean, before you said that the royalty statements...you know, the same thing that we would get if you are a known owner is what the bank would get...now, Mr. Swartz stated right here when asked a question is all we send is a number. Which one is it? I'm asking. That's a question.

DAVID ASBURY: Wachovia testified and we've seen in our meetings and we routinely see their royalty statements that they receive by unit just as if they were making a royalty statement.

CATHERINE JEWELL: So, Mr. Swartz is wrong. Of course, he shouldn't have been testifying anyway.

DAVID ASBURY: Ms. Jewell, we've had it under testimony what Wachovia Bank receives monthly---.

CATHERINE JEWELL: Yeah.

DAVID ASBURY: ---they received royalty statements just as if the royalty...for a unit.

CATHERINE JEWELL: For a unit.

DAVID ASBURY: For that unit. At the time of disbursement, you're talking about the K-1s and the 1065. You are correct. This money is not known because it is in conflict.

CATHERINE JEWELL: Right.

DAVID ASBURY: At the time of disbursement is when these banks would have to do the 1065 and feel out the K-1 at time of disbursements to the parties just like they annually...not annually, but when a party is disbursed they provide those parties with a 1099 from that disbursement.

CATHERINE JEWELL: Uh-huh. Okay. Because I've always...you know, you don't take any benefits from that well until you've got a royalty from it. I mean, I don't...you know, you paid $30,000 to participate in a unit and you own one-tenth, it's a conflicting claim, at what point do you start taking...do you see what I'm saying? Not until that decision is made can you actually take any tax breaks or anything with it.

DAVID ASBURY: That's correct. Not until the conflict is resolved---.

CATHERINE JEWELL: So, it's not---?

DAVID ASBURY: ---is it yours.

CATHERINE JEWELL: Is it yours, right. So---.

SHARON PIGEON: It's when 1099s are being generated

as well though.

CATHERINE JEWELL: That's when 10...exactly. Exactly. But it would have to be---.

MARY QUILLEN: But we only have a small number of those and these are not units that are in conflict is my understanding.

CATHERINE JEWELL: Well, then why are they in escrow?

SHARON PIGEON: She misstated that.

MARY QUILLEN: Pardon?

BRUCE PRATHER: The 1099 comes in when you make the---.

SHARON PIGEON: You misstated that.

DAVID ASBURY: When the Board approves the disbursement and people are paid from the escrow unit is when 1099s are provided at the end of the year.

BRUCE PRATHER: K-1s and 65, right.

DAVID ASBURY: And 1065...if there's working interest involved in that conflict in the escrow at the point in time is when the 1065 is prepared and provided to those owners at the time of disbursement.

CATHERINE JEWELL: Okay.

BILL HARRIS: Can I ask about the K-1? This is new to me. What's the K-1?

CATHERINE JEWELL: I've got a copy of that.

BILL HARRIS: Is it---?

(Board members confer among themselves.)

DAVID ASBURY: Ms. Quillen, if you'd like, let's go off...I recommend we go off the record. I've been checking the emails and Mr. Harding hasn't responded. Let me make the phone calls and get our answer for us.

MARY QUILLEN: Okay.

DAVID ASBURY: Let's take a break and maybe go off the record.

MARY QUILLEN: Okay. We'll go off the record until Mr. Asbury can return. We'll take a break.

(Break.)

MARY QUILLEN: Mr. Asbury.

DAVID ASBURY: I was able to get a hold of Mr. Davis...Thomas Davis who gave the presentation and also Mr. Harding has confirmed with him what the proposal is. Their proposals is the account fee proposed is 1/10th of the escrow account balance to be paid on annual basis. So, on a monthly that's in their account presentation, it was one-tenth of 1% calculated monthly but the total annual would be about $24,000 based upon their presentation. So, that's an annual fee and not a monthly.

MARY QUILLEN: Okay.

BRUCE PRATHER: Do we come up with that in January?

MARY QUILLEN: Is it in advance or at the end of the month...end of the year?

DAVID ASBURY: That has not been defined.

MARY QUILLEN: Okay. But either way even---.

DONNIE RATLIFF: It doesn't matter.

MARY QUILLEN: It doesn't matter because either way if it's in advance we're going to have to come up with it if it's...whichever one. If it's the end of the year, so much the better, I guess.

DAVID ASBURY: They said they would calculate this monthly and this is just a guess on my part. Let me read this whole thing. I got three different sets of emails. "The fee is not...the fee is one-tenth of 1% of the market value to be charged one-twelfth monthly." So, it is monthly.

BRUCE PRATHER: Monthly.

DAVID ASBURY: Figured on a balance of 24 million, the fee would be approximately $2,000 per month depending on the value of the assets held. And that's directly from the last set of hearings.

MARY QUILLEN: Any discussion?

BILL HARRIS: Yeah. Well, I mean, I'm not sure...well, I guess, there's some advantage to paying it

monthly or paying it annually. I mean, approximately $2,000 per month still didn't really say collected monthly or collected annually. I don't know---.

DAVID ASBURY: No, it said charged one-twelfth monthly.

BILL HARRIS: Charged...so, it is charged. So, that's that one-twelfth of one-tenth, okay.

DAVID ASBURY: Yes, that's correct.

BILL HARRIS: One other question, and this is, I guess, getting kind of picky, this attachment D that we've been looking at, the Statement of Charges, and maybe I'm just looking for stuff now, but the last thing before the asterisks at the bottom it says, "A one time set up fee at account opening in the amount of $5,000 would be charged." Now, which account are they talking about. Are they talking about the whole transfer of what...in other words, the whole escrow account?

DAVID ASBURY: The one account.

MARY QUILLEN: The escrow account.

BILL HARRIS: Because that doesn't say that though.

DAVID ASBURY: The escrow account.

BRUCE PRATHER: Total escrow account.

DAVID ASBURY: A one time---.

MARY QUILLEN: But they did in their presentation.

BILL HARRIS: I'm sorry.

MARY QUILLEN: They did in their presentation.

BILL HARRIS: Oh, did they? Okay, I'm sorry.

MARY QUILLEN: Yeah.

BRUCE PRATHER: Yeah.

SHARON PIGEON: To get up and running.

BILL HARRIS: I wasn't here.

MARY QUILLEN: To get up and running.

BILL HARRIS: Yes. No, I understand that, but I just wanted to make sure that...it's another...if we had a...well, never mind. Okay. I wasn't here for the presentation. I just wanted to make sure that that was...we weren't going to fall into something where here is a new well that's drilled, so we have to set up new accounts, oh, there's a new account and that's $5,000.

MARY QUILLEN: No, we...that was discussed in the meeting and they---.

BILL HARRIS: Yeah. I understand.

MARY QUILLEN: ---elaborated quite extensively on that.

BILL HARRIS: Okay, thank you. Thank you.

MARY QUILLEN: Because that was asked what that...you know, what they would charge to set up the escrow account and they did explain that.

BILL HARRIS: Okay. Thank you.

MARY QUILLEN: Any other discussion?

(No audible response.)

MARY QUILLEN: Okay. I guess we do a roll call for a vote.

BILL HARRIS: We need a motion first.

MARY QUILLEN: Well, I guess, we need to make a motion.

BRUCE PRATHER: Make a motion.

MARY QUILLEN: Do I hear a motion to take a vote?

BILL HARRIS: Madam Chairman---.

PEGGY BARBER: I make a motion that the Chairman of the committee poll each Board member as to their recommendation.

MARY QUILLEN: Do I hear a second?

KATIE DYE: Second.

MARY QUILLEN: Okay. We have a motion and a second. We will poll the Board for their vote. Let’s see, Mr. Ratliff?

DONNIE RATLIFF: First Bank & Trust.

MARY QUILLEN: Mr. Prather?

BRUCE PRATHER: First Bank & Trust.

MARY QUILLEN: Mrs. Dye?

KATIE DYE: First Bank & Trust.

MARY QUILLEN: Mrs. Barber?

PEGGY BARBER: First Bank & Trust.

MARY QUILLEN: Mr. Harris?

BILL HARRIS: First Bank & Trust.

MARY QUILLEN: So, it looks like I don't have a vote because we do not have a tie. It looks like we have a unanimous vote for First Bank & Trust.

PEGGY BARBER: She should vote for the record.

BILL HARRIS: Yeah.

MARY QUILLEN: Pardon?

BILL HARRIS: We're just kind of discussing...when you say unanimous, but you didn't vote. So---.

MARY QUILLEN: Well, I can't because I'm the Chair. The only time the Chair has a vote is if there's a tie. So, it is unanimous that the folks that were able to vote.

(Board members confer among themselves.)

MARY QUILLEN: Are there any additional remarks?

DAVID ASBURY: Madam Chairman, in our discussions we talked about First Bank & Trust coming back before the Board in December. Is that...the Board would need to hear them to see about the investment directions at that time.

MARY QUILLEN: Would you...are you making this as a recommendation?

DAVID ASBURY: A recommendation if the Board would

like that to happen, yes.

MARY QUILLEN: I personally feel like that that's critical that they come back in December. Do we need to vote on that or take it as a recommendation from---?

DONNIE RATLIFF: Put it on as an agenda item.

SHARON PIGEON: I think on that you can either way.

DAVID ASBURY: We will include that as an agenda item for December.

MARY QUILLEN: Please do.

DAVID ASBURY: And the staff will begin later today or absolutely by the first thing tomorrow to contact both parties and begin the transition.

MARY QUILLEN: Thank you, Mr. Asbury. You've done a fantastic job helping us to get through this...get all of the information. We really appreciate all of your hard work and all of your staff's hard work and I think that everybody is very pleased with what we're going to...this new era that we're entering into with the escrow account. I think we'll have a good relationship and I believe that we'll get the support...all of the support that we need. I'm confident that your office will get the support that you need from those folks. They seem very sincere in their presentation that they would do this. We appreciate you all very much.

DAVID ASBURY: Thank you.

DONNIE RATLIFF: Madam Chair, if I may, I'd really like to see them come quarterly and just tell us where we stand.

DAVID ASBURY: Sure.

DONNIE RATLIFF: Especially since we're going to invest money.

MARY QUILLEN: I think that's an excellent idea.

DONNIE RATLIFF: With the market volatility where it's at. I'm on two college foundation Boards and a couple of more for orphanages and we've been meeting monthly and some of them making conference calls weekly because of the real estate market.

MARY QUILLEN: Right.

DONNIE RATLIFF: But I think if they would come quarterly at a minimum, and we don't want to keep them...you know, ten or fifteen minute presentation and let them leave. They don't have to---.

DAVID ASBURY: Certainly. I'll make that clear.

BRUCE PRATHER: Good.

MARY QUILLEN: Okay. Any other comments or questions or concerns or---?

(No audible response.)

MARY QUILLEN: Okay. We have the one last item and that is to approve the minutes of the October the 20th

meeting. I assume everybody has had an opportunity to read these.

DONNIE RATLIFF: I move that we accept the minutes as presented.

BRUCE PRATHER: I second it.

MARY QUILLEN: All in favor?

(All members signify by saying yes, but Mary Quillen.)

MARY QUILLEN: Opposed?

(No audible response.)

MARY QUILLEN: Approved. The meeting is adjourned.

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 6th day of December, 2009.

_____
NOTARY PUBLIC

My commission expires: August 31, 2013.