

IN THE COUNTY OF RUSSELL

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

AUGUST 17, 2010

APPEARANCES:

BOARD MEMBERS:

MARY QUILLEN - PUBLIC MEMBER
KATIE DYE - PUBLIC MEMBER
DONNIE RATLIFF - COAL REPRESENTATIVE
BRUCE PRATHER - OIL REPRESENTATIVE

CHAIRMAN:

BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD
DAVID ASBURY - DIRECTOR OF THE DIVISION OF GAS & OIL AND
PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD
DIANE DAVIS - STAFF MEMBER OF THE DGO
SHARON PIGEON - SR. ASSISTANT ATTORNEY GENERAL

MICHELLE STREET
COURT REPORTING, LLC
P. O. BOX 1325
GRUNDY, VIRGINIA 24614
(276) 971-2757

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BUTCH LAMBERT: Good morning, ladies and gentlemen. It's 9:00 o'clock. It's time to begin. If you'll please take your seats. First of all, let me apologize this morning for the room. We were kind of relegated to this side today because of the prior meeting that had been scheduled over in our regular scheduled room. And I know its going to be hard for folks to hear this morning. So, I'd ask if you are testifying or addressing the Board to please speak loudly so that we can get it on the record and that other folks can hear you. Also, I'd ask if you have cell phones or other communication devices, if you will please turn those off at this time or put them on vibrate. If you need to take a call, I'll ask that you please take it outside. At this time, I'd ask the Board members to please introduce themselves beginning with Mrs. Dye.

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.

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

DONNIE RATLIFF: I'm Donnie Ratliff with Alpha

Natural Resources representing coal.

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

MARY QUILLEN: Mary Quillen, a public member.

BUTCH LAMBERT: Mr. Asbury?

DAVID ASBURY: David Asbury with the Division of Gas and Oil and principal executive to the staff of the Board.

DIANE DAVIS: Diane Davis with the Gas and Oil office.

BUTCH LAMBERT: Thank you. At this time we will enter into public comments. And I have on my sign-in sheet Mitchell Counts.

MITCHELL COUNTS: Yes, is there anyone before me or after me?

BUTCH LAMBERT: No, sir.

MITCHELL COUNTS: I'm the only one?

BUTCH LAMBERT: Yes, sir.

MITCHELL COUNTS: Well.

BUTCH LAMBERT: I'll ask you to please come forward Mr. Counts and state your name for the record.

MITCHELL COUNTS: My name is Mitchell Counts and I represent myself. I'm not a very good public speaker and I'm fully prepared today. But what I'd like to talk

about is just how evil the gas and oil companies are as far as the money goes in accordance to the land owners and the miners who do the work. I'm sure that they have plans from the past and even past our grandchildren as to what the laws should be and what the law makers are going to do and how to manipulate everything for their gain. You know, in the past, they've bought thousands and tens of thousands of acres at a fraction of its value and they got it because nobody thought that you could mine a thousand foot deep. A lot of fortunes were lost and people were robbed. They were kept uneducated. When we did try to get a level playing field for the public and for the rest of the people who live in the mountains, well, they spent a lot of money breaking unions and doing away with a lot of things that our grandfathers have done. Now, it seems like with mountain top removal coming in and we people are in dire straights again. We don't seem to be able to do anything about that. I know this meeting is not about that. The meeting is about the gas and oil. I happen to own a small part of land that I've been told for the last twenty years money has been put into escrow for me, but I don't seem to be able to get it out. The gas company wants to offer me 50%. Lawyers tell me they can

get it for me for...I can have two-thirds of it if I give them one-third. Somehow I don't understand all of this. We do have beautiful mountains and I also think that we're sitting on the largest deposit of gas and oil in the United States in North America and I'm sure that they have a plan on how to get it out. I just don't think that that plan includes the land owners. We can't get money from gas that's been here for the last 20 years. And that's about all I have to say. Thank you very much.

BUTCH LAMBERT: Thank you, Mr. Counts. Okay, at this time is a representative from Robertson, Farmer and Cox here? Oh, there you are. I'm sorry, Mr. Stone, I didn't even see you sitting there. The Board will consider...agenda item number two. The Board will consider approval and recommended language changes to the statement of investment policy as...no wait a minute. I'm sorry. I am totally off base here. Let's go down to item number three on the docket. We're going to move item number two until after dinner. Our folks from the bank haven't shown up yet. So, we'll... hopefully they will be here after lunch. We're going to move down to item number three on the agenda. The Board will receive an update from the staff regarding the

escrow account activities. And, Mr. Stone, I think you're going to give us an update on your activities until this point with the escrow audit and we have before us...I think all the Board members should have received correspondence from Robinson, Farmer and Cox on what's been done up-to-date with the escrow account and Mr. Stone I think we asked you to be here today to go over that with the entire Board in open session so that we could get a sense of whether or not we need to move forward with you with the current escrow audit. So, Mr. Stone?

CORBIN STONE: Right. And the Chairman wrote us a letter asking us to kind of give an update of our estimate. There were two components to our audit. One was a financial statement audit. Now, I think you have our letter dated July 6, 2010. There were two components to the audit. One was a financial statement audit and the other was an audit or verification of those individual sub-accounts. So, what the Chairman asked us to do and I think action was scheduled to be taken at the July meeting to more or less firm up an estimate on the cost of that second component, but I understand you weren't able to take action then. So, really I'm here today to kind of go over any questions

you have about that second component and our estimate of what the cost is going to ultimately be. And then the financial statement audit really, as far as moving forward with that, it's going to be based on what we find in the verification of those escrow payments. And if we have significant problems there, it's probably going to be our recommendation that you correct those problems before you move forward with the financial statement portion of the audit which is component number two. So, what you have before you is just a synopsis or estimate of what the anticipated cost is going to be for the complete engagement to verify, I believe it wound up being 40 sub-accounts, the complete engagement on table one. The grand total estimate for that would be \$121,000. If we limit the sample to the four sub-accounts and then the sub-accounts that have already been audited, the total for that would run \$73,000. And the reason...once you develop your models and once you've visited the companies and you determine how they calculate these payments, adding an additional sub-account its not...most of your costs is really embedded up front. And we've already made visits to all the companies and determined all their processes. So, really most of the cost is up front and then on the

back-end writing a final report and then pulling out everything. So, those are the two estimates on table 1. And really what we were seeking today...and we had received one payment to date on progress billings. Really, what we were seeking today was guidance from the Board as to whether you wanted us to move forward with the complete engagement or the limited sample analysis and at the same time provide you with an idea of what the cost was going to be for both.

BUTCH LAMBERT: Are there any discussions from the Board, either with the letter dated July the 6th or any further discussion that we need to have with Mr. Stone as far as the direction we may take in completing just the four sub-accounts to get an idea of what we need to do as far as proceeding with the entire audit?

MARY QUILLEN: Mr. Chairman, I have just one question. We originally had looked at 34 sub-accounts from the population of the number of accounts with all of our producers.

CORBIN STONE: Right.

MARY QUILLEN: And what concerns me about that is how is that going to affect the validity of this when you reduce from such a very large population to such a really small sample and when you change the sample size?

CORBIN STONE: It does. I mean, you're not going to be able to...when you reduce the sample size you're not going to be able to base any final conclusions on a smaller sample size because you haven't sampled enough of the population. You can make inferences, but that's about it.

MARY QUILLEN: Exactly.

CORBIN STONE: So, statistically you wouldn't be able to take that data and then project it out over the population. What it does tell you is if you find problems that are consistent, you know, if you look at six accounts and you've got the same problems with all six accounts, then it tells you...and those are the first six of the sample that you look at, then that tells you that even if you complete the sample and a standard sample size is 40...even if you complete a sample size of 40 those errors in those first six, even if the rest of them are great, the errors in the first six are so great that your range, if you will, or your error rate is so high.

MARY QUILLEN: Exactly. And so that, I mean, you know it seems like that would put us right back where we are now of solving this problem. Is that a wrong conclusion or---?

CORBIN STONE: No, I think that's a very good conclusion. I mean, if you...and it would be really my recommendation to look at the next four sub-accounts, see what the error...see if we have an error rate there that was similar to the first two. You know, if you tested six and you got errors in six then chances are you need to look at the entire population.

MARY QUILLEN: Right. And see that's my concern about this, statistically. And this is, you know, this is what we've got to look at this huge sample...I mean, this huge population and, you know, we had a narrow sample for the population to begin with and then to reduce it even to a smaller number is...to me it's troubling.

CORBIN STONE: Yeah, I agree. You're going to...I agree. But, generally, I think what we've found was that it was fairly consistent. We went to visit a company, how they calculated the escrow payments, how they (inaudible), how timely they were and these sorts of things were fairly consistent within each company for the accounts that they have. But when you move to another company it's a totally different process.

MARY QUILLEN: It's totally different, exactly.

CORBIN STONE: So, by looking at just a few sub-

accounts you do get a feel for the process of those companies and you may find that one or those other two companies are great and that you don't have any problems. Then you can go ahead and expand your sample size and you may want to do 100% verification on the smaller companies. So, it may point you in which direction to go whether you need to look at the larger companies or smaller companies.

MARY QUILLEN: And when we get to that point you would advise us---?

CORBIN STONE: Exactly, yes.

MARY QUILLEN: ---you know, by sharing what you have learned from this very small sample and what the indications are with that?

CORBIN STONE: Exactly. And it may, like I said, it may be that we need to go audit at 100% of the accounts at company XYZ, but these other five companies we don't need to audit those accounts because the sample came back because it was a stratified sample.

MARY QUILLEN: Right.

CORBIN STONE: So, we just don't know yet. But that's what you would ideally like to get to.

MARY QUILLEN: Right. So, we can go through this in a step-by-step process? We're not going to say

this is what it's going to be and that's written in stone?

CORBIN STONE: That's correct. Yeah, when we come---

MARY QUILLEN: But we can do it in increments too?

CORBIN STONE: Exactly. When we come back with the four sub-accounts for EQT and Consol and then you can decide do we go further with that or are we at the point where we need to have a verification of 100% or do we want to continue to sample and see what else we find.

MARY QUILLEN: Thank you. I appreciate that.

CORBIN STONE: And I'll just mention it, at some point in your sample some times you get to a point in your sample and you decide there's no point continuing with the sample and we need to look at everything.

MARY QUILLEN: Yeah, exactly.

BUTCH LAMBERT: Any further questions? Mr. Prather?

BRUCE PRATHER: I have a question. It's my understanding that when you find the problem with any of these payments that you present the information to the Board and it's our responsibility to fix it. Is that correct?

CORBIN STONE: That's correct. Yes, sir.

BRUCE PRATHER: So, far you have found a lot of problems and, you know---.

CORBIN STONE: Yes.

BRUCE PRATHER: ---how long is it going to take the Board, do you think, to fix these problems. I mean, I'm not an accountant. It looks to me like we are being digged with problems.

CORBIN STONE: It's going to take quite a while. I'd like to get a little further into the sample, but I think it's going to take quite a while.

BRUCE PRATHER: Yeah, I mean do we have that...does the Board have that kind of people to---.

MARY QUILLEN: I don't think anybody on this Board is an accountant.

BRUCE PRATHER: I know. I mean, do we have the ability and the personnel on hand to solve these problems? I mean, I realize once the problem is solved, then the audit gets better. But you keep finding these problems and they come back to the Board.

CORBIN STONE: Right. You know, we probably need to get a little further along into it before we decide the course of action, but I think at that point we decide the problem is...you need to address those

problems and you try to estimate the man hours necessary to do that. Once you get above a certain threshold, it's better to do that in-house and go ahead and hire people to do it and have professionals on staff because it just costs less. So, once you determine you go above a certain number of man hours, it's going to be our...at that point, it would be our recommendation to have an internal audit function.

BUTCH LAMBERT: Any other questions? Ms. Dye?

KATIE DYE: Yes, I have a question. When you are choosing, like your samples, are you auditing like a complete unit or are you picking a well from a unit?

CORBIN STONE: It's going to be a well in each case unless it's a gob unit and then it becomes multiple wells essentially. But it's a well. So, in each case so far in the sample, we've had one well that ties into one sub-account. I'm not aware of any of the wells that have been selected or the units that have been selected that contain multiple wells. We do have at least one gob unit that we haven't moved to yet. Does that answer your question?

KATIE DYE: Yes, but it raises some concern because a lot of our units have multiple wells.

CORBIN STONE: Yeah. The ones that we've

looked at so far just have the one...like I said, we have the one gob unit---

KATIE DYE: But when you get into the units that have multiple wells and the money you've paid per unit as per well are you not going to hit a wall there?

CORBIN STONE: Well, you've got to expand out. And we talked to that...we talked about that with Consol because one of the units selected was a gob unit and so then you don't just audit a single well in that gob unit because it's now part of the larger unit, which might have ten or twelve wells. You essentially have to go back and audit all of the wells within that gob unit.

KATIE DYE: I understand that. But we have a lot of units, I believe I'm correct Mr. Asbury, that have multiple wells?

DAVID ASBURY: Correct. 16.

CORBIN STONE: Yeah, I'm not sure. The population of 700 and some, I'm not sure if any of those came up in the sample.

MARY QUILLEN: 16 gob units, right?

CORBIN STONE: Yeah, there's 16 sealed gob units approved by the Board to date that have multiple wells and there are single units.

KATIE DYE: But what about all the wells that

have like increased density? They have more than one well.

DAVID ASBURY: There are single units that have increased density, that's correct.

BUTCH LAMBERT: But there is a possibility that some of those may come up in your random sampling, you just don't know that yet?

CORBIN STONE: I just don't...I don't know yet. But they were picked by unit number. So, if we've got two wells that need one unit---

KATIE DYE: You're going to be doing both wells?

CORBIN STONE: Right, you've got to do both wells, absolutely.

KATIE DYE: Okay.

CORBIN STONE: And the best example is the gob unit because you might have 10 or more wells feeding one unit. It does get exponentially more difficult.

BUTCH LAMBERT: Any further questions?

KATIE DYE: Thank you.

CORBIN STONE: You're welcome.

DONNIE RATLIFF: What do we need to do, Mr. Chairman? Do we need to make a motion to revisit the RFP to amend it?

BUTCH LAMBERT: I think that's what we need to

do is decide whether or not to allow Mr. Stone to move forward with the four more sub-accounts to review that. In addition, we will have to have a motion to amend the RFP to allow him to do that. So, I think we can---

DONNIE RATLIFF: Well, I think it's only wise to go ahead and do the four and see what we've got. So, I'll make that motion that we amend the RFP and the work order to expand the audit to include these four sub-accounts right now that's listed on Table 1.

BUTCH LAMBERT: Did you hear the mo...did anybody hear the motion? Mrs. Dye?

KATIE DYE: Uh-huh.

MARY QUILLEN: Second.

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

DAVID ASBURY: I have a question if I might, Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury?

DAVID ASBURY: As far as payment, we're going to the limited sample analysis. There is money that has already been spent by Robinson, Farmer and Cox. And if my numbers are right, through June the 26th they have expended \$51,376.99. They've received a payment of \$23,000, which would leave a balance due now of \$28,377

as of today. If they go to the limited analysis for a total of \$73,720 that would include an additional \$22,344. So, clarifying the motion, if you are approving to go to the limited analysis of \$73,720.49, are we authorizing payment for the additional sum of \$50,720 above what has already been paid? Is that part of the motion?

DONNIE RATLIFF: Yes. I'll amend that motion to include that.

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

MARY QUILLEN: Second.

BUTCH LAMBERT: Any further discussion on the amended motion?

KATIE DYE: I just have a question. What is our total once the \$57...\$50,700?

DAVID ASBURY: If we go to the limited sample analysis our total would be an additional \$50,720.49, which would be in addition to \$23,000. So, the total would be \$73,720.49 to date.

KATIE DYE: Thank you.

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Stone. We will amend the RFP and get it right back to you.

CORBIN STONE: Okay, thank you.

BUTCH LAMBERT: Thank you. And I'm sorry I missed you sitting on the front row.

CORBIN STONE: That's all right. And we'll plan on being at your next Board meeting as well.

BUTCH LAMBERT: Okay. Now, at this time, Mr. Asbury will you give us...provide the Board an update of the escrow account activities.

DAVID ASBURY: Yes, sir. Mr. Chairman, each of the Board members have this exhibit, which we will call docket item number three, staff update for escrow. This is the escrow account through July the 31st. And for the first month of the third quarter our balance at the end of the period shows \$26,130,537.00. For the month of July, there were contributions from gas operators of \$164,772.00 with interest income of \$6,105.00. And that included both interest income from money market accounts and the CEDARS Program as previously outlined by the Board for First Bank & Trust Company. The expense... escrow expense from the agent for July was \$2,163.00.

BUTCH LAMBERT: Any questions for Mr. Asbury?

(No audible response.)

BUTCH LAMBERT: Thank you, David.

DAVID ASBURY: Thank you.

BUTCH LAMBERT: It's not on the docket, but at this time I think each Board member should have received a packet that deals with the emergency regs for the arbitration deal that was passed in this year's General Assembly. I hope that each Board member has taken the time to read through those draft regulations. At this time, Michael Skippington, Program Support Manager from our Richmond office, I'll ask him to come and give us an overview of those regs. The Board will have to vote on these regs to approve or not so that we can move forward at this time. Thank you Michael. Welcome this morning.

MICHAEL SKIPPINGTON: Thank you, Mr. Chairman. Good morning, members of the Board. As Mr. Lambert indicated, in this past General Assembly session, House Bill 1344 was passed, setting up an arbitration program to resolve the disputes centered around the ownership of coalbed methane gas. That legislation requires the Board to promulgate regulations to administer that process and that is what I am here to talk about today. Basically, the regulation set out how the arbitrations

are to be funded using accrued interest from the general escrow account and the regulations also set out the arbitration process itself with respects to discovery, postponing scheduled arbitrations, the determination of the arbitrator, compensation to the arbitrator and things of that nature. And at this time, I am happy to answer any questions you might have regarding these regulations and after that I'll give you an overview of the regulatory process and what happens going forward.

BUTCH LAMBERT: Any questions for Mr. Skippington related to the draft regulations?

MARY QUILLEN: Mr. Chairman, I have just one question. On the accrued interest, this is on each individuals account, correct?

MICHAEL SKIPPINGTON: The total interest from all of the accounts.

MARY QUILLEN: From all of the accounts, okay.

MICHAEL SKIPPINGTON: Yes, ma'am.

MARY QUILLEN: Okay.

BUTCH LAMBERT: Any other questions?

KATIE DYE: Mr. Chairman, I have a question.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: And this is under Section 60, conflicts of interest. Down on the second line it says

"has personal interest in the subject of the arbitration". Does subject, would that cover like if he had a personal interest in the property?

MICHAEL SKIPPINGTON: Yes. Yes, ma'am.

KATIE DYE: Okay. Thank you.

DONNIE RATLIFF: Mr. Chairman.

BUTCH LAMBERT: Mr. Ratliff.

DONNIE RATLIFF: What if he had interest in the gas properties other than the one he is dealing with. Is that considered a conflict?

MICHAEL SKIPPINGTON: For the purposes of what we've got so far, I would say no.

DONNIE RATLIFF: And back on Section 30 on the costs, Mr. Chairman, what if escrow accounts interest... what if the pots not there, what do you do?

MICHAEL SKIPPINGTON: Then---.

DONNIE RATLIFF: Are you not allowed to arbitrate or it comes out of your pocket or---?

MICHAEL SKIPPINGTON: If the parties all agree to fund it out of their own pockets then the arbitration can go forward. Otherwise, it is...we would establish a waiting list until the funds are there.

KATIE DYE: I have just one more question please, Mr. Chairman.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: On this interest, have you researched to see if there's been any legal cases determining, you know, how this interest particularly... does the interest follow the principal in these types of things?

MICHAEL SKIPPINGTON: Well the legislation that was passed requires that the arbitration be funded by the interest. The General Assembly said this is how they are going to be paid for from accrued interest. So, we just took that direction and put that in to the regulations.

KATIE DYE: Well, from my understanding, and I'm no attorney, but I understand that maybe there has been like a legal decision on this, that generally in situations like this, the interest would follow the principal.

MICHAEL SKIPPINGTON: I am not familiar with any---.

SHARON PIGEON: Nor am I.

KATIE DYE: You're not?

SHARON PIGEON: No. What Mike is saying is---.

KATIE DYE: I think it may exist.

SHARON PIGEON: No, he's tracking the words of

the statute which required the general account interest to be...the accrued interest to be utilized for this purpose just as it is to pay for the expenses of the audit that we are having, the ordinary operational funds associated with administration. All of that is the general accrued interest to be used for that. And at this point, of course, additionally none of the sub-accounts hold funds that have vested in anyone because these are conflicting claims where people have not established ownership rights.

KATIE DYE: I would think that...is the ownership rights not established by being recorded in Buchanan County or the counties and being of public record.

SHARON PIGEON: No. If ownership had been established it wouldn't be in escrow.

KATIE DYE: But the escrow does establish that it belongs to one party or the other---.

BUTCH LAMBERT: Mrs. Dye, you've got to speak up. I can't hear you on this end of the...these folks down here.

KATIE DYE: Oh, sorry.

SHARON PIGEON: The air conditioning is running.

KATIE DYE: Oh, sorry. Well, you know, it would

seem to me that maybe ownership has been established by it going into escrow. There's a conflict there, but it belongs to one party or the other.

SHARON PIGEON: It probably belongs to one party or another. That's what the applicant or operator has alleged in their application, but it hasn't been established. And the only way it can be paid out is by a judicial decision, an arbitration decision, or a split agreement between those parties. So, it has not passed it at that point.

KATIE DYE: I guess that from the position I'm looking at it is if say, for example, one person has like \$250,000 in the escrow account, is it fair for that person that might only have \$2,500 to have to give up their interest to help the person that has the quarter of a million in there get their proceeds from the account?

MICHAEL SKIPPINGTON: I understand exactly what you're saying, but we have to go by what the legislature passed and they were pretty unequivocal with respect to how these arbitrations are to be funded. They are to be funded by accrued interest.

KATIE DYE: Thank you.

BUTCH LAMBERT: Any other questions?

(No audible response.)

BUTCH LAMBERT: At this time, we will take a vote on whether or not to accept these regulations as passing to move forward and then after our vote Mr. Skippington will explain the process on moving forward.

DONNIE RATLIFF: Mr. Chairman?

BUTCH LAMBERT: Mr. Ratliff?

DONNIE RATLIFF: When Senator Puckett and Delegate Kilgore introduced our Bills, and I've not read them since January, but when I put the two down beside each other there was a conflict. It was as if Kilgore's Bill was not in sync with Senator Puckett's Bill. Have we fixed that here or...I can't remember what the problem was.

MICHAEL SKIPPINGTON: Are you referring to the Presumption Bill?

DONNIE RATLIFF: Yes.

MICHAEL SKIPPINGTON: I'm not sure that those Bills are in conflict as they turned out to be. Once they were passed, I think the Presumption Bill faces forward, going forward and this...the Arbitration Bill deals with disputes, past present and future. I'm not sure I understand your question.

DONNIE RATLIFF: I'd have to go back and read

Senator Puckett's Bill again. But, when we laid the two beside each other it was the illusion that there was a conflict with each other on one area and I asked each one of them and both of them had very different opinions on what it said. But this is pretty straight forward. I don't see a problem with this as the guidelines. I'll make a motion that we accept these as the regulations governing the arbitration to resolve disputes.

MARY QUILLEN: Second.

BUTCH LAMBERT: And I think we'll hear from Mr. Skippington in a few minutes and he will get into it further. But these are just emergency regulations to cover us for a short period of time until we can get the permanent regulations in place.

DONNIE RATLIFF: And that will go through the public comment period as---?

BUTCH LAMBERT: Yes.

BRUCE PRATHER: There won't be much of a change in this draft, will there?

MICHAEL SKIPPINGTON: Excuse me?

BRUCE PRATHER: Will there be much of a change from this draft and the final Bill?

MICHAEL SKIPPINGTON: I...we don't---.

BUTCH LAMBERT: We don't know that Mr. Prather.

Again, these are just emergency regulations not open for public comment, but what follows will be.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: And so I have a motion to approve as written.

DONNIE RATLIFF: And a second.

MARY QUILLEN: And a second, Mr. Chairman.

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

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: No.

BUTCH LAMBERT: Thank you, Mr. Skippington. You are directed from the Board that these have been approved by the Board and to move forward. Now, I'll ask if you have a few more minutes if you will go ahead and explain the process on moving forward.

MICHAEL SKIPPINGTON: Absolutely. As we mentioned, these are emergency regulations and the next step in the process is to submit them to the office of the Attorney General for their review. Once that is

done, it is submitted to the Executive Branch for their review. And that's a three step process, the Department of Planning and Budget, the Secretary of Commerce and Trade and then the Governor's office. Each has to review these regulations. After that regulation review is complete, we can submit them to the register of regulations and they become effective at that time as soon as we submit them to the Register's office. And emergency regulations are effective for 12 months once they are submitted to the Register. We can petition the Governor's office for an additional six months if necessary, but in general they last for 12 months. Once the emergency regulations are effective and are published in the register, that also simultaneously opens up the comment period for the permanent regulation. It also serves as the notice of intended regulatory action for the permanent regulation and it is at that point that we begin to receive public comment and the process starts as any other regulation would from the notice of regulatory action and then to the proposed stage and then to the final stage. Does that make sense? Does anyone have questions about that?

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Skippington. We appreciate your driving all the way down from Richmond to appear before the Board to explain this process. Thank you.

MICHAEL SKIPPINGTON: Thank you.

BUTCH LAMBERT: The next item on the docket is item number four. The Board on its own motion will consider a disbursement of funds from unit Q-40, docket number VGOB-93-0216-0328. This item was previously heard and approved by the Board on August 20, 2002 and based on research of Board files this disbursement was never made. The Board will decide to uphold the prior disbursement petition for denying it and ask the operator to resubmit the petition. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty. We were here on this, I think, briefly last month and what has turned out when Anita did further homework to come back for today. When this disbursement was approved part of the unit went on pay status. So, if you made a disbursement based on the prior order, which was never made, which was a percentage order, it would be wrong. So, we need to resubmit this. David, I'm not sure that we had a chance to tell you that, but you know going

back it's a situation where the facts have changed and the percentage would not be appropriate. So, we need to, I guess...our recommendation would be that you need to do whatever you need to make this docket item go away and direct CNX to resubmit an application given the pay stats. I mean, essentially we're going to take the prior order and work forward from that so that we get a new order that works.

DAVID ASBURY: I need to share an analysis with you. Can I share it with the Board?

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Again, this is in the staff's efforts to clear up some old...we appreciate Anita and her staff working with us to clear this up. This was outstanding when I came to DGO and we're trying to...this is one of those historical files that we're trying to clear up. When we first...when Diane and I first did our staff review of the Board's files we saw an original order and a supplemental order of 80 acres. It had six tracts in it. And the original order was filed April 8, 1993 and the supplemental order December 16, 1993. And then some time later, eight years later, an amended supplemental order was filed and it had changed some of the tracts. And more importantly, it

changed which tracts were in escrow. The supplemental order originally had Tracts 5 and 6 in escrow and did not include Tract 4. And then when the amended supplemental order came forward in 2001, it represented that Tract 4 was already being in pay status or had been disbursed. So, as Mark just said, I believe the right thing to do is we have to look back and ask CNX to work with us to determine what amount of Tract 4, and this is on the back of the page, we suggest to look back to see what payments were actually in escrow and how much of the escrow payments are for Tract 4 only? And we have to correct that because as Mark just said, if we look at the escrow amount today on \$42,000, we believe that a portion of that would be for a small part of Tract 4 and the remainder of it would be for Tracts 5 and 6, mostly Tracts 5 and 6. So, again it would take some accounting from Anita's office.

MARK SWARTZ: Because the tract percentages have changed to the numbers, you know, if you go back all the way back and then in order to make it right all those percentages are going to change as well. So, I think it's all...it's a collection of all of it.

DAVID ASBURY: Right. And in Tract 4, the tract acreage went from 2.53 to 3.47, which is almost an acre.

And the new amended supplemental order referred back to the old acreage 2.53 rather than 3.47. So, again, as Mark suggested and staff agrees, we probably need to just go back and rework this and resubmit it for disbursement.

BUTCH LAMBERT: So, the supplemental order of 7/12/2001 had changed it from 2.53 to 3.47 is correct?

DAVID ASBURY: That's what we have in file. It would show the difference in the acreage and how the tracts changed at that time. But the amended supplemental order in 2001 showed that Exhibit EE for tract four with 2.53 acres which was the old acreage.

MARK SWARTZ: But, in addition, and we'll, you know get into this with David, but I think he's raising an issue and I need to tell you this, we don't...this should have been repooled when that supplemental order was issued. But somehow that supplemental order got entered without a repooling. So, we're going to have to repool this to change the percentages to get them right and then do the disbursement. I mean, this is going to be a two step process. And I think David saw that coming but...so we got to repool it because there were acreage changes when it was remapped. And when that happens you have to repool. Then we're going to have to

go back and redo the escrow on a start over basis because that disbursement was never made. So, there's really two things that need to happen. First, we need to repool and then we need to deal with the escrow issue. I mean, that..I think we are on the same page with this.

BUTCH LAMBERT: Okay, so this Board needs to deny the prior disbursement petition and direct---

MARK SWARTZ: Or vacate it, I guess, yeah.

BUTCH LAMBERT: Okay. And direct the operator to resubmit a pooling order and to also---

MARK SWARTZ: To actually repool. We are going to have to notice and re-pool.

BUTCH LAMBERT: Okay.

MARK SWARTZ: And then ultimately petition for a disbursement. So, it's a three step process, vacate the prior order, direct us to repool, and then when that happens, direct us to proceed with David to get the disbursements made.

BUTCH LAMBERT: Any questions from the Board?

MARY QUILLEN: I have just one little clarification---

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: Has there been...I believe I

understood you say that there has not been anything paid---?

MARK SWARTZ: Correct. Well, not out of escrow.

MARY QUILLEN: ---on the...right, on that 2.53 acres, is that right, on Tract 4?

ANITA DUTY: Not out of escrow, but what we...we assumed that the payment out of escrow was made and so we put those people on direct pay. So, at a certain point in time the payments stopped going into escrow and we started paying directly so the acres that we contribute to that account and the dollars are different than what they, you know, if we would've wai...right now...now we wait until we have a confirmation from the bank that payout has actually has been made. So, we don't...so that doesn't happen.

BUTCH LAMBERT: Ms. Duty, we're going to have to get you sworn in.

ANITA DUTY: Oh, I'm sorry. I'll be quiet.

(Anita Duty is duly sworn.)

BUTCH LAMBERT: I didn't mean to interrupt.

ANITA DUTY: That's all right. I think I was finished.

MARK SWARTZ: Felt like it. I'm cool.

BRUCE PRATHER: I have a comment. Well, because

this acreage was not pooled in the thing and you paid like direct payments, like it wasn't a pooled situation on that acre and a half or whatever it was.

ANITA DUTY: Well, what we normally do is after the payout from escrow is made then we start paying those people directly---

BRUCE PRATHER: Right.

ANITA DUTY: ---but in this case we didn't get confirmation that the payout was done and went ahead and put them on pay anyway without the confirm...I mean, we've changed the way we've done things over the years and made sure that doesn't happen.

BRUCE PRATHER: But the part that was not...that we're going to repool which is included in the new situation you were just making direct payments on that because it wasn't pooled so there were no escrow money, is that correct?

ANITA DUTY: We're going to have to do it like we do any other repooling like we'll take it and they'll reverse and rebook all the way back to the beginning based on new acres or whatever and they will take into account that at a certain point in time these people were paid. I mean, all of that will be taken care of through the reverse and repooling.

BRUCE PRATHER: Right. I understand that. All I was talking about was the fact that apparently some of this acreage had not been pooled into the unit, you just need to made direct payments down through the years?

MARK SWARTZ: Now, all the acres were pooled.

BRUCE PRATHER: Okay.

MARK SWARTZ: And there was escrow with regard to the tracts that are identified here. When the 2002 disbursement was approved for some disbursements, CNX just assumed it was going to happen and started a direct pay. Okay, so there's still money in the account that would go to the Tract 4 people even though they've received payments since. So, we have to go back to the beginning and figure out what should've been in escrow for...let's just stay with Tract 4...for Tract 4 and then figure out what they received, subtract that, and we'll have a net balance in escrow and then we have to do the percentages to make sure that the \$42,000 in escrow that comes out reflects...is that helping?

BRUCE PRATHER: Yeah, pretty much.

MARK SWARTZ: Now, you need to argue with me if I got it wrong.

ANITA DUTY: No, you're good.

MARK SWARTZ: Okay.

DAVID ASBURY: Well, just for the Board's information, now Anita and her staff did...these type of issues take quite a bit of staff time to research and I think we've found the problem here and I think this is one of those that dates back to 1993 that we can fix. And we appreciate your work on it.

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

MARY QUILLEN: Just one comment. Going back to the beginning really seems to clarify everything rather than try to fix something in the middle. It's much easier to go back step by step and walk through that process. Am I right?

ANITA DUTY: That's exactly right, yeah.

MARK SWARTZ: That's what they all...but they always do that. You can't...their accounting system won't allow you to intercept a transaction in the middle. You've got to go all the way back.

ANITA DUTY: Right, if you're going to go back and do this type of like acreage change and things like that, yeah. You have to---.

MARK SWARTZ: So, not only to make sense but its they have to, it's the only way its going to work.

MARY QUILLEN: Yeah, it makes good sense.

ANITA DUTY: Then you have your net value on both sides, either escrow or direct payments.

BUTCH LAMBERT: Anything further?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

DONNIE RATLIFF: Second.

BUTCH LAMBERT: I guess, we need it in the record motion to approve---.

MARY QUILLEN: Oh, that the...vacate the original order and resubmit a repooling order for Tract 4.

MARK SWARTZ: Repool the entire unit.

MARY QUILLEN: Oh, repool, pardon. Repool the entire unit.

MARK SWARTZ: And then follow it by a disbursement request.

MARY QUILLEN: Followed by the disbursements.

BUTCH LAMBERT: I guess, before we take a vote, I need to get one thing clarified. Are we amending the supplemental or the original?

SHARON PIGEON: Vacating the supplemental---.

MARK SWARTZ: You're vacating the disbursement order.

BUTCH LAMBERT: Okay. I just wanted---

MARK SWARTZ: That's...you're not changing any of the supplemental or...we're going to...the repooling will deal with that.

BUTCH LAMBERT: I just want to make sure we got that clear on the record.

MARK SWARTZ: No, you're only vacating the disbursement order for the disbursement that wasn't made.

BUTCH LAMBERT: Okay.

MARY QUILLEN: That was the one in 2002.

MARK SWARTZ: That was heard...approved in 2001.

MARY QUILLEN: I mean, 2001. Excuse me.

BUTCH LAMBERT: 2001, okay.

MARY QUILLEN: 2001.

BUTCH LAMBERT: And did we get that motion correct?

DAVID ASBURY: Yes.

BUTCH LAMBERT: Okay. Motion. And then do I have a second?

DONNIE RATLIFF: Second.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Ms. Dye. Mr. Asbury, we'd like to congratulate and thank you and your staff for finding these problems and being able to get these before the Board and corrected. Thank you.

DAVID ASBURY: Thank you, Mr. Chairman. Diane does good work.

BUTCH LAMBERT: The next item on the docket is item number five. A petition from CNX Gas Company, LLC for the disbursement of funds from escrow, authorization of direct payment of royalties to Torch Oil and Gas Company and Jane Hale for Tract ID Unit FF-24, docket number VGOB-00-1017-0830-02. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you are still under oath, okay?

A. Okay.

Q. Anita, would you state your name, again?

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. Does part of your job responsibility include dealing with the accounting associated from disbursements from escrow?

A. Yes.

Q. And did you have access to the bank deposit records and fee records with regard to this account?

A. I did.

Q. And did you then also have access to the operators records with regard to royalty payments made into this account?

A. Yes.

Q. And did you compare your records to determine the total payments you believed you had made into this account to the bank's records to compare the payments you believed you made to the payments they

showed as deposit? Did you make that comparison?

A. Yes, I did.

Q. And when you made the comparison, was it in balance or out of balance?

A. In balance.

Q. Okay. Is this a request to disburse all of the escrowed funds or just some of them with regard to FF-24?

A. Just one tract.

Q. So, there will still be an escrow account in place for this unit after this disbursement?

A. Yes.

Q. And what's the tract that you're seeking to disburse here?

A. Tract 1-D.

Q. Okay. And will this disbursement, if approved, zero out Tract 1D's escrow?

A. Yes.

Q. Okay. And who are the parties that would be receiving the disbursement?

A. Torch Oil and Gas Company and Jane Hale.

Q. And do they have a split agreement?

A. Yes.

Q. Is it in writing?

A. It is.

Q. Have you seen it?

A. I have.

Q. Is it a 50/50 agreement?

A. Yes.

Q. And is the request for the disbursement here for that each of these folks receive 50% of the amount attributable to Tract 1D?

A. Yes.

Q. And what percentage should the escrow agent use at the time the disbursement is made to make sure that they each get their share?

A. 11.7401% to Torch and to Jane Hale.

Q. And your accounting was done as of a date certain, correct?

A. It's May 31, 2010.

Q. And with regard to this Tract 1D, what was the amount on hand as of that point?

A. \$181...for the entire account?

Q. For the entire escrow.

A. \$181,118.86.

Q. And with regard to Tract 1D, what was the amount on 5/31/10?

A. It would be \$21,263.60 for each owner.

Q. Times two?

A. Yes.

Q. Okay. And after this disbursement is made are you requesting that the operator be allowed to pay these parties directly rather than to escrow their funds?

A. Yes.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Questions from the Board?

KATIE DYE: Mr. Chairman, I have a question for Mr. Asbury.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: In looking at this petition, when you look at the total acreage in this unit it is 89.29 acres. So, it's not a standard Oakwood 80?

DAVID ASBURY: It was the 89 acres. It was pooled that way.

KATIE DYE: Well, when we hit units like this is the percentage of...that is done in the disbursement is that based on the 89.29 as opposed to the 80?

DAVID ASBURY: Yes.

KATIE DYE: Well, just one more question out of curiosity. Why is this unit like 89.29 acres?

DAVID ASBURY: I don't have an answer. It was

originally pooled that way.

ANITA DUTY: It's at the bottom of an Oakwood...between Oakwood field and the Middle Ridge. It's a transition between the two fields.

KATIE DYE: Okay. It just didn't make sense when I looked at it.

MARK SWARTZ: And to bring it all back, when this field was created they were using pencils on maps and when you got to the end and you surveyed it, didn't work. And the units on the boundary on the Oakwood field and some of the other fields are bigger to make up for the curvature of the earth and the mapping issues. And so when we're going back now...I mean, that was just a reflection of the limits of technology at that point in time and now as our technology has improved you know we are dealing with those changes because of improved... you know, the ability to better map. But the 89 acre units, and there are a number of them in the Oakwood Field, tend to be on the perimeter and are make-up acreage to make it match the next boundary of the next field. So, there's a whole bunch of those 89.

ANITA DUTY: All of the FF's that go across.

KATIE DYE: That makes sense but you know I would hope for the information...you know, it's not

reflected in the application.

MARK SWARTZ: Right. But that's the reality of why its like that. That whole row is I think all of them are 89 point something acres.

KATIE DYE: Thank you.

DAVID ASBURY: Mrs. Dye, I wanted to expand on my answer to you as well. When a unit has different acreages, and some of them are plus or minus, in early days it was plus or minus as much as 15%, but the acreage that goes into escrow, we track the acres in escrow because that's the tangible ownership of gas ownership into escrow. We then apply the amounts from the escrow agent. But we look at each acre that's in escrow and anything that goes into or out of is a percentage of the total of those acres that are placed in escrow.

KATIE DYE: Thank you.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz, approved. The next item on the docket is item number six. A petition from CNX Gas Company, LLC for the disbursement of funds from escrow and authorization of direct payment of royalties to Torch Oil and Gas Company and Jane Hale for Tract 1C, unit FF-25, docket number VGOB-00-1017-0831-02. All parties wishing to testify, please come forward.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MARK SWARTZ:

Q. Anita, you are still under oath?

A. Yes.

Q. Your name again?

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And is part of your job to deal with the accounting that's associated with disbursements requests?

A. Yes.

Q. And did you do that with regard to tract 1C in Unit FF-25?

A. I did.

Q. And did you compare the bank's records of the deposits that they received in FF-25 to the operators records showing the royalties that they sent to the bank?

A. Yes.

Q. And when you made the comparison, how did they compare?

A. They were in balance.

Q. Okay. And did you do this as of a certain date?

A. May 31, 2010.

Q. It looks like there is more money in the escrow account with regard to FF-25 than you're seeking to disburse at this time?

A. Yes.

Q. So, that account will remain in place?

A. That's correct.

Q. The only tract you're seeking to disburse today is Tract 1C?

A. Yes.

Q. Do we have the same people that we had in the last docket item?

A. That's right.

Q. They have a written agreement applicable to this unit as well?

A. Yes.

Q. And it's a 50/50 agreement?

A. Yes.

Q. What percentage should the escrow agent use when it makes this disbursement to Torch and to Jane Hale?

A. They should each receive 27.31%.

Q. And if they had received the disbursement on March 31, 2010, just for illustration purposes, what amount of money would they have received out of the escrow account at that point?

A. \$21,933.13.

Q. And are you requesting that the Board authorize the operator to pay these two folks...this company and Jane Hale, directly after the disbursement is made by the escrow agent?

A. Yes.

Q. And there are two wells contributing to the escrow account?

A. Yes.

Q. And you have identified them on your exhibit?

A. I have.

Q. Okay.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Questions from the Board?

SHARON PIGEON: Is Tract 1C being closed out?

ANITA DUTY: Yes.

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: The next item on the docket is item seven. A petition from CNX Gas Company, LLC for the disbursement of funds from escrow and authorization of direct payment of royalties to Torch Oil and Gas Company and Jane Hale for Tract 1-C, unit AV-112, docket number VGOB-01-0116-0853-01. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: As this is beginning to look

familiar, I'd like to incorporate Anita's testimony from the prior two petitions with regard to these folks in terms of their agreements and so forth and just get to this specific unit.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, here we are talking about a disbursement from AV-112, correct?

A. Yes.

Q. And less than...you are requesting that less than all of the money on deposit in escrow be disbursed here?

A. Yes.

Q. So, there will be an escrow account required after today with regard to AV-112?

A. There will be.

Q. But there will not be a sub-account in AV-112 for 1-C because all of that money would be paid out in response to this request?

A. That's correct.

Q. And the percentage that the royalty... that the escrow agent should use in making disbursement to Torch Oil and Gas Company and to Jane Hale, what percentage should the escrow agent use?

A. 46.9975% to each owner.

Q. To each?

A. Yes.

Q. And if that percentage had been applied to the account balance as of 5/31/2010, what amount of money would these folks have received?

A. \$15,128.89 each.

Q. And are you requesting the right to pay them directly in the future once these disbursements are made?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

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

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve.

BRUCE PRATHER: Second.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

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

MARK SWARTZ: Thank you.

KATIE DYE: Abstain.

(Off record.)

BUTCH LAMBERT: One abstention, Mrs. Dye. The next item on the docket is item number eight. A petition from CNX Gas Company, LLC for the disbursement of funds from escrow, authorization of direct payment of royalties to Torch Oil and Gas Company and Jane Hale for tract 1, unit AV-113, docket number VGOB-0...is that a typo in the docket number?

DIANE DAVIS: Yes, that's a typo.

BUTCH LAMBERT: So, what should that be?

DIANE DAVIS: 01---.

BUTCH LAMBERT: I'm sorry. -01-0116-854-01. All

parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Given that we have the same people again, I would ask that you accommodate us and incorporate Anita's testimony from docket items five and six generally with regard to these folks and their agreements and so forth.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, this disbursement request pertains to AV-113, correct?

A. Yes.

Q. And if the disbursement is made, will there still be an escrow account required?

A. There will be.

Q. This pertains to Tract 1, is that correct?

A. Yes.

Q. And if this disbursement is made will

there be a requirement for a sub-account for Tract 1 or will that pay out all of the sub-account of Tract 1?

A. No. It will not be needed.

Q. Okay. Who are the parties that will be receiving money on this disbursement request?

A. Torch Oil and Gas Company and Jane Hale.

Q. What percentage should the escrow agent use with regard to Tract 1 in AV-113 to make this disbursement to those people?

A. 41.4185% to each owner.

Q. And this account balance calculation was also as of May 31, 2010?

A. Yes.

Q. And if it had been made...the disbursement had been made to these folks as of that date, what would they have received?

A. \$25,316.35 each.

Q. There are two wells contributing to the escrow account and they are shown on the exhibit, correct?

A. Yes.

Q. And are you requesting the operator be allowed to pay these folks directly after this escrow disbursement is made?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve, Mr.

Chairman.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz, approved. The next item on the docket is item number nine. A petition from Southeast Land & Mineral, LLC for pooling of conventional gas unit C-6 Wolfrun Hall #1, docket number VGOB-10-0615-2713. All

parties wishing to testify, please come forward.

JONATHAN YARBOROUGH: Mr. Chairman, could I take up a couple of housekeeping items real quick on our docket?

BUTCH LAMBERT: Uh-huh.

JONATHAN YARBOROUGH: We'd like to continue docket item number ten and docket item number eleven.

BUTCH LAMBERT: Continued until?

JONATHAN YARBOROUGH: If possible, until December.

BUTCH LAMBERT: September?

JONATHAN YARBOROUGH: December.

BUTCH LAMBERT: Oh, December. Oh, okay. Calling docket item number 10, a petition from Southeast Land & Mineral, LLC for establishment of field rules for the Wolfrun conventional gas field, docket number VGOB-10-0615-2714 will be continued until December. Docket item number eleven, a petition from Southeast Land & Mineral, LLC requesting to be named unit operator for each of the units for the proposed Wolfrun conventional gas field, docket number VGOB-10-0615-2738 will be continued until December.

JONATHAN YARBOROUGH: And, Mr. Chairman, in lieu of continuing those, if it pleases the Board, we'd like

to put a docket number item number fifty-eight in place of those for today. This actually appeared on the September docket because of the number of items on the docket, but it was timely filed.

SHARON PIGEON: We don't have it here.

BUTCH LAMBERT: We don't have the materials.

JONATHAN YARBOROUGH: I have the materials that I can hand out.

BUTCH LAMBERT: Our docket that was published already establishes that this one will be continued until September. So, it wouldn't be fair to go ahead and call this item with folks that might want to be here to participate.

JONATHAN YARBOROUGH: Okay, I understand that.

BUTCH LAMBERT: Okay, where are we here.

(Charles Hale and Charlie Bartlett are duly sworn.)

JONATHAN YARBOROUGH: And it's Jonathan Yarborough, Dr. Charlie Bartlett and Charlie Hale for Southeast Land & Mineral, LLC. And we already have a provisional drilling unit C-6 and we're seeking to pool that unit today, Mr. Chairman.

BUTCH LAMBERT: Okay, you may proceed, Mr. Yarborough.

CHARLES MILTON HALE

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

DIRECT EXAMINATION

QUESTIONS BY MR. YARBOROUGH:

Q. Would you state your name for the record, Mr. Hale, who you're employed by and in what capacity?

A. Charles Milton Hale. I'm employed by Southeast Land & Mineral Company in the capacity of engineer.

Q. Is it your testimony that all the oil and gas owners within this unit C-6 were required by Statute to be notified of this hearing?

A. It is.

Q. Has that been done by certified mail, return receipt requested?

A. It has.

Q. And have you received all of those receipts?

A. We have.

Q. Is it your testimony that you've been able to locate and identify all who should receive

notice of this hearing?

A. We have.

Q. Did you publish notice in the paper of general circulation in the county where this unit is located?

A. Yes, sir.

Q. What paper was that?

A. Washington county news in Abingdon.

Q. And has an affidavit of due diligence been submitted to the DMME?

A. It has.

Q. Have you filed to pool any unleased interest in the C-6 unit?

A. Yes.

Q. Does Southeast Land & Mineral own drilling rights in this unit?

A. We do.

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

A. It has.

Q. What is the interest under lease to Southeast in the gas estate in this unit?

A. In C-6, the percentage is 45.57%, which constitutes 72.91 acres.

Q. And are all the unleased parties set out in Exhibit BB?

A. They are.

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

A. It was.

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

A. Yes, they are.

Q. And are you requesting the Board to force pool all unleased interest as listed at Exhibit BB?

A. I am.

Q. Are you familiar with the fair market value of the drilling units?

A. Yes, I am.

Q. In this unit?

A. Yes.

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

A. A paid up bonus for a five year term

with a one-eighth royalty lease.

Q. And in your opinion, do these 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. It does.

BUTCH LAMBERT: Mr. Yarborough, could you have your witness restate the terms with...I don't think I heard them correctly up here.

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

Q. And in your opinion, do these 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. It does.

BUTCH LAMBERT: Mr. Yarborough, I need to ask you again. Mr. Hale, could you provide us the amount? You just gave us the terms, but what's the amount of the terms?

A. The terms is five dollars per acre for five years. So, it would twenty-five dollars per acre over the five year term and when the well is drilled they would get one-eighth of the royalty on that gas.

Is that---?

BUTCH LAMBERT: Yeah, thank you. I just wanted to clear that up. Thank you. I'm sorry, Mr. Yarborough.

JONATHAN YARBOROUGH: That's okay, Mr. Chairman.

Q. As to the respondents listed at BB who remain unleased, do you agree that they should be allowed the following statutory options: participation, a cash bonus of five dollars paid up for net mineral acre plus a one-eighth of eight-eighths royalty or in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: 1) such carried operator shall be entitled to a share of production from the tracts pooled accruing to his/her interest explicit to any royalty or overriding royalty reserved in any leases, assignments thereof, or agreements relating thereto in such tracts but only after the proceeds applicable to his/her share equal: a) 300% of the share of such costs applicable to the interest of 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, I do.

Q. Do you recommend that the order provide that elections by respondents be in writing and sent to applicant Southeast Land & Minerals, 254 Bradley Street, Abingdon, VA 24210?

A. I do.

Q. Do you recommend that if no written election is properly made by a respondent, then such respondent should be deemed to have elected the cash option in lieu of any 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, they should.

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

A. Yes.

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

A. Yes.

Q. Should the applicant be allowed a 120

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

A. Yes, that's true.

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

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to payment of well costs any cash sum becoming payable to that respondent to be paid within 60 days after the last date on which the applicant could have successfully paid those costs?

A. Yes.

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

A. Southeast Land & Mineral Company, LLC.

Q. What is the total depth of this proposed well and the plan of development?

A. C-6 approximately 7,000 feet.

Q. What are the estimated reserves over the life of the unit?

A. Well, this is an exploratory well, and based on the wells that have been drilled in the past we would expect 250 to 350 million cubic feet of gas.

Q. Are you familiar with the well costs?

A. Yes.

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

A. Yes, it has.

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

A. It does.

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

A. The dry hole costs would be \$462,500 and we believe that the completed costs would be \$1,063,000.

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, prevention of waste and protection of correlative rights?

A. It would.

JONATHAN YARBOROUGH: Answer any questions the Board may have for you.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Yarborough, is this a revised exhibit?

JONATHAN YARBOROUGH: It is a revised exhibit, Mr. Chairman. We took out the lines that the Board asked us to take out at the last meeting and indicated where the well was located on the unit.

BUTCH LAMBERT: Okay. Any questions from the Board?

BRUCE PRATHER: I have a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I notice on your map here you've got the #1 Hall, I assume it's supposed to hold 160 acres. What's the #1 Hetinger doing on the map?

CHARLES HALE: The #1 Hetinger was a well that was drilled in 1984 by King Drilling Company and it was drilled to a depth of probably 50 some hundred feet.

And that well had been plugged and abandoned in place. And that's...Mr. Prather, that's just to give you a representation of...that the Hall well that we are proposing to drill is in the same vicinity as this Hetinger well.

BRUCE PRATHER: I've got another question. I think that something that would help the Board and that is on your formation names. Most of these that I'm looking at on the Illinois basin terminology. And the Board is not used to that. The St. Genevieve Limestone or the St. Louis Limestone are Illinois formations. Is there anyway you could put that into nomenclature that we're used to seeing?

CHARLES BARTLETT: I can. The formations were subdivided by Charles Butts when he made the very extensive mapping of the western part of Virginia years ago and they are very identifiable. I myself did extensive mapping and measuring of the sections. To make it simple for you, that's equivalent to the Big Lime.

BRUCE PRATHER: Yeah, I understand that.

CHARLIE BARTLETT: Okay.

MARY QUILLEN: That needs to be...that needs to be in this and it needs to be identified the way it's

identified here in this region.

CHARLIE BARTLETT: The reason is this region has a much, much thicker Big Lime than you do over in the coalfield area which you are more familiar with and so it has been subdivided and widely used and widely published with these different names.

MARY QUILLEN: Well, we'd like it in, you know, in the subdivisions that we identify here in this region.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Yarborough?

JONATHAN YARBOROUGH: at this time we'd ask the Board to approve our pooling application.

BUTCH LAMBERT: Do I have a motion?

BRUCE PRATHER: I'll make the motion to approve if we get the changes in the nomenclature.

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

KATIE DYE: Second.

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Mr. Yarborough, you will submit us a corrected description?

JONATHAN YARBOROUGH: Yes, I will, Mr. Chairman.

BUTCH LAMBERT: Thank you, it's approved.

JONATHAN YARBOROUGH: I guess, the next item we need to take up is item number twelve, Mr. Chairman.

BUTCH LAMBERT: Moving on to item twelve on the docket. A petition from Southeast Land & Mineral, LLC for pooling of conventional gas well unit C-8, Wolfrun #1, docket number VG0B-10-0615-2739. All parties wishing to testify, please come forward.

JONATHAN YARBOROUGH: Mr. Chairman, if you would like me to explain. When we submitted this last application along with the field rules for the meeting two months ago, we were operating under the faulty assumption that we'd get the field rules granted. So, when you see the highlighted portions in that application those are things that I added in there to make the application...establish a provisional drilling unit rather than rely on the field rules for the pooling at the acres that we are.

DONNIE RATLIFF: Mr. Chairman, having on voted on for having to decide I'd like to ask that we reconsider the vote. I really have a hard time granting the pooling orders when we've not approved the field rules yet.

JONATHAN YARBOROUGH: Mr. Chairman, this Board has approved a provisional drilling unit for Unit C-6 and that's why we were pooling C-6. And that's what we're asking today is to establish a provisional drilling units for D-4 and C-8, which is just a name that we have on them but it has nothing to do with any field rules at this point. If we get field rules eventually, they will fit into that draft. But I think that's within the Board's...according to the Gas and Oil Act establish provisional drilling units and then pool those.

MARY QUILLEN: But they have not been approved?

JONATHAN YARBOROUGH: Right. C-6 has. The ones right now that we are asking to establish and then pool.

BUTCH LAMBERT: So, you're asking for us to establish another pooling order for C-8?

JONATHAN YARBOROUGH: Right. We're asking you to establish a provisional drilling unit C-8 and at the same time pool them.

MARY QUILLEN: Well, now this is just says the pooling. C-8---.

BRUCE PRATHER: It's a pooling.

MARY QUILLEN: ---is pooling. It's not established. I don't believe we've established---

JONATHAN YARBOROUGH: The revised application that I just handed to you should state...the other application was for the field...was in conjunction with the field rules and it was under the assumption that the field rules were going to be establish and that we'd just go ahead and pool that particular unit. So, we didn't entitle it establishment of a provisional drilling unit. We did ask that the Board...in the original application that the Board make a unit. Right now we just amended the application so that we can just establish a provisional drilling unit because we're under the impression that the Board is not going to do field rules until we can prove that there is gas in this field and that's what we're trying to do.

SHARON PIGEON: Mr. Yarborough, what did you mail when you were mailing out to the individuals names? Which version of this?

JONATHAN YARBOROUGH: The first version.

SHARON PIGEON: So, the individuals named have

not received the revised application?

JONATHAN YARBOROUGH: That is correct.

SHARON PIGEON: I would think---

JONATHAN YARBOROUGH: I would point out that the...in the original application did in the relief sought ask for a drilling unit in the Southeast Land to be named unit operator. So, they essentially have the same notice.

SHARON PIGEON: Well, essentially, I don't think that they did, but that's up to the Board to determine.

BUTCH LAMBERT: I think, Mr. Yarborough. What you mailed out and what you just handed out to us as an amendment is you're asking the Board to consider something that you haven't mailed and give the citizens time to...an opportunity to comment on. We're changing horses here in the middle of the docket item from a pooling to a provisional drilling unit and I'm not sure we can do that without proper notification.

MARY QUILLEN: And there's no exhibits with this either.

JONATHAN YARBOROUGH: I think we just handed them.

BUTCH LAMBERT: Is this supposed to have a revised exhibit?

JONATHAN YARBOROUGH: Right. Again, to comply with the Board's recommendation from last time.

DONNIE RATLIFF: Mr. Chairman, going back to my motion, I missed last month, but have we...did we establish a provisional drilling unit for C-6?

BUTCH LAMBERT: Last month?

JONATHAN YARBOROUGH: Yes. Not last month. It was probably---

SHARON PIGEON: Previously.

DAVID ASBURY: It was...it wasn't last month. It was previously.

JONATHAN YARBOROUGH: Yes.

CHARLES BARTLETT: Four months ago.

SHARON PIGEON: A couple of months ago.

CHARLES BARTLETT: In May or April...April

MARY QUILLEN: But that was the only one.

BUTCH LAMBERT: Are you looking back for that?

(Board members confer among themselves.)

DONNIE RATLIFF: I'll withdraw my motion, Mr. Chairman.

MARY QUILLEN: Is that previous one, Mr. Ratliff?

DONNIE RATLIFF: It was for...yes, that was C-6. I don't remember establishing that provisional drilling

unit, but if we did we did.

BUTCH LAMBERT: Mr. Yarborough, given the situation of this amended application that you just handed out to us, would you like to proceed with this or would you like to withdraw this and then come back before the Board with another petition?

JONATHAN YARBOROUGH: Well, I don't want to proceed if it's fruitless and pointless.

SHARON PIGEON: You could continue it and provide your corrected notices.

JONATHAN YARBOROUGH: Okay, if we could continue it.

DONNIE RATLIFF: You've got a notice issue.

MARY QUILLEN: Till when? Continue it until when?

BUTCH LAMBERT: You'll need a couple months anyway, I would think.

MARY QUILLEN: October?

BUTCH LAMBERT: Can you get it back out?

JONATHAN YARBOROUGH: Well, I think we are probably going to need it to be two months because we don't have the 30 days to get that application out right now. So, two months from today.

MARY QUILLEN: October?

BUTCH LAMBERT: So, this will be continued until October. At this time, we are going to take a 10 minute break.

(Break.)

BUTCH LAMBERT: We will resume. Could you please take your seats? The next item on the docket is item thirteen. A petition from Southeast Land & Mineral, LLC for creation of a 160 acre conventional gas well unit D-4 Wolfrun, docket number VGOB-10-0615-2740. All parties wishing to testify, please come forward.

JONATHAN YARBOROUGH: We'd like to continue that one until October, Mr. Chairman.

BUTCH LAMBERT: Thank you, Mr. Yarborough. That will be continued until October. The next item on the docket is item fourteen. A petition from CNX Gas Company LLC for repooling of coalbed methane unit Q-43, docket number VGOB-00-0321-0779-03. All parties wishing to testify please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty who will be here shortly, I think. This number fourteen, we have finished the title work and Anita tells me that she's ready to mail this week. So, we need another month to get the mailing out and come back. There was a title issue with regard to Q-43.

ANITA DUTY: I'm sorry. You already took care of them?

MARK SWARTZ: Yeah.

ANITA DUTY: Thanks.

BUTCH LAMBERT: We just wanted to confirm it's continued until September?

ANITA DUTY: Yes.

SHARON PIGEON: By someone who knew?

ANITA DUTY: Yes.

BUTCH LAMBERT: So, that docket item will be continued until September. We're calling item fifteen. A petition from CNX Gas Company LLC for repooling of coalbed methane unit Q-42, docket number VGOB-93-0216-0326-02. All parties wishing to testify please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you are still under oath, but I will ask you state your name for us again, please?

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And do you have a title?

A. Pooling Supervisor.

Q. And did you either do the work to file this repooling application yourself or direct your staff to do it for you?

A. Yes.

Q. And with regard to this application pertaining to unit Q-42, is this a repooling?

A. It is.

Q. Okay. And it was originally pooled, looks like back some time in 1993?

A. Yes.

Q. And what did you do to notify the respondents that we would be having a hearing today?

A. We mailed by certified mail return receipt requested on June 18, 2010 and published in the Bluefield Daily Telegraph on June 26, 2010.

Q. And have you or are you about to file your certificates with regard to mailing and your proof of publication with Mr. Asbury?

A. Yes.

Q. When this was published in the paper,

did you publish the notice and the location map Exhibit A-1?

A. Yes.

Q. Do you want to add any respondents today to the pooling application?

A. No.

Q. Do you want to dismiss any of the respondents today?

A. Yes. We need to dismiss Norfolk & Southern and I've got revised exhibits.

Q. And Norfolk & Southern was the last respondent listed on the notice?

A. Yes.

Q. Do you want to pass those out?

A. Yes.

Q. And the reason that you're proposing to dismiss Norfolk & Southern is because?

A. We have a lease with them.

Q. And did that change the percentages to some extent?

A. Yes.

Q. And have you filed today a revised Exhibit A, page 2 with regard to Q-42?

A. I have.

Q. And what interest are you seeking at this point having leased Norfolk & Southern to pool?

A. 0.0003% of the coal, oil and gas claim.

Q. Okay. And what is it that the operator has been able to either lease or purchase in this unit that doesn't need pooled?

A. 99.9997% of the coal, oil and gas.

Q. And was there a well cost estimate provided when this unit was originally pooled?

A. Yes.

Q. And have you included that?

A. I have.

Q. And the amount of that well cost estimate was?

A. \$209,023.89.

Q. And that was to a depth of?

A. 1,623.1 feet.

Q. Do you have the permit number available to you?

A. Well, not at this very moment.

Q. Okay. Well, it looks like---

A. It's an older---

Q. In looking at the exhibits, it looks like this is a unit that's paying out of a portion of a

panel?

A. Yes.

Q. So, there might be multiple wells possibly?

A. Well at this point the mining hasn't gone that far yet.

Q. Okay. So, it's anticipating we'll be paying out of 16, right?

A. Yes.

Q. What mine is this in?

A. Buchanan.

Q. And the reason or reasons requiring the repool would be what?

A. Just mapping revisions from technology, 93 to the present.

Q. And so the percentages have slightly changed as a result of that?

A. Yes.

Q. And you've reflected those percentage changes in the revised exhibits you filed with the repooling and then presumably haven't made any percentage changes except to eliminate Norfolk & Southern the revised exhibits the Board got today?

A. That's correct.

Q. In terms of what your company is currently offering in terms of leased terms that would be available to folks who might want to exercise an option to be leased here, what are those lease terms?

A. Five dollars per acre per year with a ten year paid up term and it's a recouperable lease.

Q. And would you recommend those terms to the Board to be included in any pooling order with regard to folks who are deemed to have been leased?

A. I would.

Q. Is it your opinion that this repooling to reflect the changes in mapping is required to protect the correlative rights of the respondents?

A. Yes.

Q. And does it remain your opinion that a reasonable way to develop the methane within and under this unit is as is reflected on your plat map and your plan?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

MARK SWARTZ: I take that back. Sorry.

Q. Do we continue to have an escrow requirement?

A. Yes.

Q. And with regard to escrow, do we have conflict and/or a title issue in Tract 1B, correct?

A. Yes.

Q. And are there some split agreements here?

A. Yes.

Q. And those agreements pertain to what tracts?

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

MARK SWARTZ: That is all I have.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Duty, was the correction in the mapping area due to an underground mine mapping or was it something that you caught in developing wells for the unit?

ANITA DUTY: My understanding is that it was during the process of preparing for these like in the coal side to mine they requested title and there was some lines changed moved between like two mineral tracts.

BUTCH LAMBERT: So, it was a change in tract lines?

ANITA DUTY: Yes.

BUTCH LAMBERT: Any other questions from the Board?

MARY QUILLEN: Mr. Chairman, just one thing. Anita, could you repeat those tracts where there were either conflicts or split agreements?

ANITA DUTY: Conflicts is Tract 1B and for royalty split agreements is 1A, 1C, 1D and 1E.

MARY QUILLEN: Thank you.

SHARON PIGEON: Anita, I believe when Mark asked you about the permit number you didn't have it there on the application 2145, is that?

ANITA DUTY: Oh, it is on there, isn't it.

SHARON PIGEON: Pardon me?

ANITA DUTY: Yes, 2145, that's right. I'm sorry.

SHARON PIGEON: That's okay.

ANITA DUTY: It wasn't on the actual old AFE.

SHARON PIGEON: It was an add on.

BUTCH LAMBERT: Ms. Duty, I have a question. Just to help us better understand the application and your signature and then your title. You signed your title as CNX Land Resource, Inc. and the applicant is CNX Gas Company, LLC. Can you explain the relationship of those two firms?

ANITA DUTY: I don't know if I can. I don't know.

BUTCH LAMBERT: It's not a trick question, I promise.

DONNIE RATLIFF: Is CNX Land Resources a subsidiary of CNX Gas?

MARK SWARTZ: Probably not.

ANITA DUTY: No, it's Consol Energy.

MARK SWARTZ: They would probably be affiliates rather than parent and sub is my guess.

DONNIE RATLIFF: So, maybe a better question would be---

ANITA DUTY: Consol Energy I guess is---

DONNIE RATLIFF: ---CNX Gas Company is authorized you to act as their agent?

ANITA DUTY: Yes. And Consol Energy would be the parent of both CNX Gas and CNX Land. I can get a better explanation for you later.

DONNIE RATLIFF: That's all right. We'll go to the IRS. They answer all questions.

DAVID ASBURY: Mr. Chairman?

BUTCH LAMBERT: Mr. Asbury?

DAVID ASBURY: I've got a question. With the file, the original Exhibit E for Q-42 at Tract 3 and it

had Hurt McGuire Land and Norfolk & Southern 4.04 acres in escrow. And I think there may have been a disbursement from this in 2003. And now our Exhibit E shows Tract 1B with the same parties with 5 acres and that's in escrow now. I guess, my question from staff to the Board, did we make the right disbursement and is there an additional disbursement due with our rearrangement of the tract?

ANITA DUTY: What we will do is once you all approve the repooling the accounting department will go back and just like the ones we talked about before they'll go back from the very beginning of time and reverse and will go all the way back. And they will make up the difference if the account is short or if the account is overpaid. Obviously, it's going to be underpaid. So, they will go ahead and make a lump deposit to get the account caught up.

DAVID ASBURY: Okay, will you notify our office with an accounting?

ANITA DUTY: Yes.

BUTCH LAMBERT: Any other questions?

MARY QUILLEN: Just one. Mr. Asbury, did you say that's the original application was in 1993?

DAVID ASBURY: The disbursement was in 2003.

MARY QUILLEN: 2003, okay.

DAVID ASBURY: And there was in escrow at that time, there was 4.04 acres. And now...and that was Tract 3. So, the tracts have changed and I'm trying to tie a relationship between what was Tract 3 and what is now Tract B, the same parties. And, again, we'll have to go back with CNX and look from the beginning of time to see if the escrow amount is correct by the tract and if the disbursement that was made in 2003 was short or over and make an adjustment.

MARY QUILLEN: I thought you had said Tract 3, but what we have on this is 1B and I just wanted to be sure that I was hearing it correctly.

DAVID ASBURY: Yes, that's correct. In 2003, it was Tract 3.

MARY QUILLEN: But those tracts have been changed and everything is up to date as far as tracts are concerned, correct?

DAVID ASBURY: I assume that's correct with this. All of the tracts have been changed and the acreage within each tract in the unit now is up to date with this.

ANITA DUTY: Yes. That's what were asking to do, yes. Like with the disbursement question you had,

because we are...those owners are on the direct pay already, we will internally fix that problem. I think the only problem that you will still have is in the escrow. We'll make up a lump sum payment the difference between the 3 acres and the 5. We'll take care of the direct paid owners internally.

DAVID ASBURY: The Board will need to see that--
-.

ANITA DUTY: Okay.

DAVID ASBURY: ---to make sure their disbursement approval is fixed and you can share it...we can work together on that.

MARK SWARTZ: Well, I guess...and we need to be clear here so that you know what...so, we know what you think you're getting, okay.

DAVID ASBURY: Okay.

MARK SWARTZ: Okay. If these folks have been on direct pay and under paid, what Anita, I believe, is telling you is because they're on direct pay we can square up with them directly. We're not going to have to pay money into escrow and then come back and ask you to get it out. I wasn't sure that you were---.

DAVID ASBURY: Yes.

MARK SWARTZ: ---that you were following that

logic. Is that---?

ANITA DUTY: Right. We just need to assure you that what's in the escrow account is for the 5.72 acres and that's---.

DAVID ASBURY: Yes.

ANITA DUTY: ---what we will do.

DAVID ASBURY: Correct.

MARK SWARTZ: But in terms of payment out to these folks, they have an ability because of the prior order---.

DAVID ASBURY: To correct it internally.

MARK SWARTZ: ---to pay them directly.

DAVID ASBURY: Correct.

ANITA DUTY: They will either be...you know, they will either...they will net it out of their check depending on...you know, the payments of the whole. And they will be able to see the reversal. Any time we do that, the owners also get to see that same reversal in and out of payments.

MARK SWARTZ: And to stay the course. If there are other people in that escrow account, their share of the escrow account if there are future disbursements, will need to reflect the acreage because there's actually probably more money in there than needed to be,

right?

ANITA DUTY: I think we're actually underpaid.

MARK SWARTZ: You think?

ANITA DUTY: Uh-huh. It went from 3 to 5.

MARK SWARTZ: Well, but to these people yes, but you can take care of them directly.

ANITA DUTY: Right.

MARK SWARTZ: The same as the escrow account maybe slightly out of balance in the opposite direction.

DAVID ASBURY: Sure. It could be either way.

MARK SWARTZ: Right.

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

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: The next item on the docket is item sixteen. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit AW-146, docket number VGOB-10-0720-2754. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: Would you state your name for the record?

CATHERINE JEWELL: Catherine Jewell.

(Catherine Jewell is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, would you state your name for the record, please?

A. Anita Duty.

Q. What's your title?

A. Pooling supervisor.

Q. Okay. And the applicant is what company?

A. CNX Gas Company.

Q. And did you either supervise the preparation of the notice of hearing application and related exhibits for this unit or do it yourself?

A. Yes.

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

A. I mailed by certified mail return receipt requested on June the 18th, 2010. I published the notice and location exhibit in the Bluefield Daily Telegraph on June the 29th, 2010.

Q. What kind of a unit is this?

A. This is...hold on. This is a Middle Ridge 58.74 acre unit.

Q. Do you need to file a revised legion map because you've got Oakwood there, right?

A. Yes.

Q. Okay. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. Okay. The cost estimate...just a couple of housekeeping matters. The cost estimates provided... contemplated two wells, correct?

A. That's correct.

Q. And what...what is the situation with regard to whether or not there are two wells proposed for this unit at the present time?

A. We will only be able to drill one well in this unit.

Q. Okay. And is that AW-146?

A. Yes.

Q. And is that the well that's actually shown and has a well location on this...on the plat that has been submitted?

A. Yes.

Q. And...so, you will be withdrawing today any requests that costs be allocated to a second well identified as AW-146?

A. That's correct.

Q. As long as we're on that cost estimate, what are the estimated costs that you've provided with

regard to AW-146?

A. \$281,940.76.

Q. And the estimated depth of that well?

A. 2,063 feet.

Q. Do you have a permit as yet as far as you know?

A. No.

Q. Have you either provided your certificates with regard to mailing and proof of publication already to Mr. Asbury or are you about to?

A. Yes.

Q. Okay.

A. About to.

Q. About to, okay. The interest that the applicant has been able to acquire in this unit by lease or purchase before the applications were filed represent what part of the unit?

A. 100% of the coal owner's claim in 66.5645% of the oil and gas claim.

Q. And in the list of respondents that are in the notice and then in B-3 of the exhibits to the applications, what's the total interest that you're seeking to pool by this application?

A. 33.4355% of the oil and gas claim.

Q. Are there conflicts and escrow requirements in this unit?

A. Yes.

Q. Have you provided the Board with an Exhibit 3?

A. E.

Q. E, I'm sorry.

A. Uh-huh.

Q. An Exhibit E?

A. Yes.

Q. And what tracts are going to require escrow?

A. 2A, 2B, 2C, 2E, 2F, 2G, 2H, 2I, 2J, 2K, 2L, 2M, 3B, 3C and 6.

Q. And with regard to that escrow, I think all of those are simply conflict issues, is that right?

A. Yes.

Q. There are no split agreements in this unit, is that correct?

A. That's correct.

Q. And the well that's proposed here is a frac well?

A. Yes.

Q. And it's located inside the drilling

window for this Middle Ridge unit?

A. Yes.

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

A. Yes.

Q. Is it your further opinion, that drilling one frac well in the drilling window of this Middle Ridge unit is a reasonable way to develop the coalbed methane from within and under this unit?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I have one question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: Is...is this unit already approved for two wells?

ANITA DUTY: I think that...it was on the docket last month.

BRUCE PRATHER: Okay. But it hasn't been approved either for the second well?

ANITA DUTY: It has. Operation tells me that we

will never drill a second well in this unit.

BRUCE PRATHER: Oh, okay. Okay.

ANITA DUTY: We've just realized that this past--.

BRUCE PRATHER: Okay. Well, I guess, you will send something to David saying that...to that effect that that location will not be drilled. Is that correct?

ANITA DUTY: I don't know. If it's necessary.

BRUCE PRATHER: I don't either.

DAVID ASBURY: Not typical.

BRUCE PRATHER: Okay.

MARY QUILLEN: So, that AFE is just withdrawn out of this---?

ANITA DUTY: Right. We want to remove that from our applications.

MARY QUILLEN: Remove, okay.

ANITA DUTY: Yes.

MARK SWARTZ: That's with regard to AW-146A.

MARY QUILLEN: Right.

BRUCE PRATHER: Okay.

MARY QUILLEN: I gotcha.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Jewell.

CATHERINE JEWELL: Yes. A couple of questions here. Your revised applications, which I'd like to obtain a copy of, were these sent out to everybody else who has an interest in this unit?

ANITA DUTY: A revised?

CATHERINE JEWELL: Yeah, a revised.

MARK SWARTZ: We don't know what you're talking about.

ANITA DUTY: We haven't sent a revised.

CATHERINE JEWELL: Hum?

MARK SWARTZ: What do you mean by revised?

CATHERINE JEWELL: Well, you've changed the plat by the Middle Ridge, okay. It said Oakwood before. You've changed the plans from two wells to one well. I just wanted to know if people that have an interest in it were notified.

MARK SWARTZ: No.

CATHERINE JEWELL: No. Okay, I do have some questions. If I can hand these out. One of each.

(Exhibits are passed out.)

CATHERINE JEWELL: In May of this year, CNX sent out a permit application for coalbed methane well AW-146

and I submitted objections dated May the 17th, 2010. I received a response stating my objections met the criteria and an informal fact-finding conference would be scheduled.

BUTCH LAMBERT: Ms. Jewell. I'm sorry. I need to interrupt you just for a second. We need to get you sworn.

CATHERINE JEWELL: I am sworn.

BUTCH LAMBERT: Oh, she was---.

BRUCE PRATHER: She's sworn.

COURT REPORTER: She was sworn.

BUTCH LAMBERT: Okay, I'm sorry.

CATHERINE JEWELL: I could swear again.

(Laughs.)

BUTCH LAMBERT: Would that make it twice as good?

CATHERINE JEWELL: Yeah. I've heard nothing as far as with respect to the informal fact-finding conference. It may be that you were waiting for the pooling application. I don't know. Out of the numerous objections that I noted, the primary one is the property plats are incorrect. The owner assignment is incorrect. Two, there was no conflict of ownership. Three, I would question whether, in fact, this is the coalbed methane

well with respect to the way that the coal seams are. First, I would like to address the plat. This plat that you're looking called the Big Creek plat is a Tazewell County property plat, okay. These were part of the objections that I had to the actual application. So, I submitted this in there. Now, the plat has changed. There's a date on the plat...the new plat, but nothing has changed from the permit application to the pooling application. But nothing has changed with respect to these properties that I noted here. Tazewell County, I spoke with the property department yesterday. We have two parcels. One is .5 acres. As you can see on the Big Creek plat, it is number 8. Number 10 also belongs to us. It's 2.11 acres. I asked them if they would kindly identify the people who also had property in this area. Now, if you look at these two plats together, you look at the Oakwood Field...well, sorry, it's the...that's wrong. They corrected that. If you look at that field and you look at the plat that I've given you, you cannot make these line up. Of course, my first question, who is Richard Murphy?

ANITA DUTY: He's the engineer.

CATHERINE JEWELL: He's the engineer. When he certifies a plat, is he certifying...what exactly is he

certifying? Is he certifying the accuracies...the accuracy of the size and the ownership of the parcels plotted or that the well location, which in this plat is missing its information in the 750 radius and the 200 foot drilling... dwelling circle is accurate. What is he certifying?

MARK SWARTZ: It says on the plat.

ANITA DUTY: He's certifying the unit.

CATHERINE JEWELL: He's certifying the whole unit?

ANITA DUTY: And the other...the other things that you asked about is not a requirement for a pooling plat. That's a permit issue.

CATHERINE JEWELL: So, he's certifying that these properties are correct?

MARK SWARTZ: No.

ANITA DUTY: The unit.

MARK SWARTZ: He's certifying what is stated on the plat.

CATHERINE JEWELL: Can I ask...can she answer the question?

MARK SWARTZ: She's not the person that certified this. So, the only---

CATHERINE JEWELL: But you're an attorney and

you're not sworn in.

MARK SWARTZ: Ma'am---

ANITA DUTY: He's certifying the size and shape of the unit.

MARK SWARTZ: Right. It says it right here.

CATHERINE JEWELL: Okay. So, the size and shape of the unit is the only thing that's being certified here? I just want to make sure.

ANITA DUTY: Yes.

BUTCH LAMBERT: Yeah. Ms. Jewell, I think your question is very inappropriate to address both to Counsel and his witness. You need to direct your questions to the Board.

CATHERINE JEWELL: Okay.

BUTCH LAMBERT: And also if you will read on the plat that was submitted by the company, it clearly states at the top of that plat and also it's on yours but cut off, what that engineer is certifying.

CATHERINE JEWELL: Uh-huh. I just wanted to make sure.

BUTCH LAMBERT: Okay.

CATHERINE JEWELL: That's what I would like to make sure because I think too many people assume that they're certifying the accuracy of the property on here.

Not everybody reads those things.

BUTCH LAMBERT: Okay.

CATHERINE JEWELL: Thank you. Okay. So, if you compare these two together, you will see that...for one thing, the .5 acres that is...that we pay taxes on has shrunk. It's .22. And dash---

DAVID ASBURY: Excuse me. Excuse me, Ms. Jewell. Mr. Chairman---

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: ---has an informal fact-finding objection request. I wonder, and this would be a question for Ms. Pigeon maybe, if the evidence that she's trying to present to the Board is going to supercede that of the informal fact-finding hearing and if not the property venue for her question is still within the informal fact-finding and objection process?

SHARON PIGEON: What's her informal fact-finding about?

DAVID ASBURY: Well, she has...if I'm not mistaken, she has objected to the permitting process and this particular unit and a well within this unit.

SHARON PIGEON: Well, the permit and the pooling are two different issues. So, I don't see that that...one supercedes the other. I don't know where

she's going with what she's doing. But I don't think that the informal fact-finding means that she can't present her comments now.

DAVID ASBURY: Okay.

CATHERINE JEWELL: Okay. I went to the trouble of writing out the property owners and calling Tazewell property map and I think that when you look at it, unless something it's miraculously, you know, happened here, a 2.11 acre tract ran away. It has disappeared. A .5 acre tract shrank. A new person is...if I read this, it makes more sense. According to the office, and this is Tazewell County property office, parcel 87A-6 and 7 are owned by Bobby Hale. Parcel 87A-9 is owned by Eva Goin. Parcel 871-2B is Glen Roberts. Parcel 87A-11 is owned by Dewey Meadows. Now, we look at the CNX plat, 2K has become .22 acres that belongs to us. This tract is listed in the CNX description as being from tax map 87AA-8. But I assume that's 87A parcel 8 which is the same one that you see on the tax map. So, that correspondence. In the CNX is bound on the north property belonging to James Esta noted on tax map, and they have this written down as 87A parcel 5A. The two parcels belonging to Bobby Hale are listed as tax map 87A parcel 6 and 7. Those are correct. But they're

shown as being above the James Esta property. On the (inaudible) it is bound by 2L, which is assigned James Armstrong tax map 87-01002A-...and 002B. The Armstrong parcel is now owned by Glen Roberts according to the county and is shown on the tax map as being below parcel 87A-10, which is a 2.11 acre tract, which is absent from the map. Tract 2K is shown on the CNX plat as being...Tract 2K is ours. It is shown on the CNX plat as being bound on the east by Tract 4 noted as tax map NN-0098, which is owned supposedly by Sydney Asbury. The County map shows 87A-8 as bound by the Norfolk and Southern Railroad. The Asbury tract, which is noted as a fee tract is not presented in the county map as in this area. I don't know where that tract came from. Tract 2K is shown on the CNX plat and the county map as being bound by the west...on the west by Rt. 67. So, my question is, how did a .5 acre parcel become .22 with new boundaries and what happened...where did the 2.11 acre tract run off to?

(No audible response.)

CATHERINE JEWELL: I'd like an answer.

BUTCH LAMBERT: Well, Ms. Jewell, looking at the Big Creek property map, both the plat...the plat that you provided as well as what the company has provided

don't seem to match to me unless my eyes are wrong.

CATHERINE JEWELL: That's my point. That's why I was asking for what was being certified.

MARK SWARTZ: Well, the .22...I mean, the problem is she doesn't have the unit boundary on her map. So, the simple explanation to the .22 is if you apply a unit boundary to the map is it .22 acres of a half an acre. That's the explanation to that. I mean, that's how that calculation come. The other questions, we just don't show them as having an interest in another tract in this unit. I mean, that's...that's the answer to both questions. The .22 is the piece of the half acre tract that we show them having...Buck Jewell as having title to that is within the boundary of the 58.74 acre unit. That the entire tract isn't in the unit. We do not have another Buck Jewell tract in this unit based on title. I mean, that's the answer to both questions.

CATHERINE JEWELL: And I would submit that that answer is incorrect because where else would the rest of that property be. It's bound by a new piece of property noted as 4 belonging to Sydney Asbury. So, there's no way that that...you know, the rest of the property is just not in the unit. Look at how that unit drawn in that area. It follows the road pretty much in that

whole area. You know, it has got part of that road. There's not a piece of property that is in another unit unless this property jumps over the new Asbury property or slides under it or something. And how...and the other question is, obviously, their tax maps they run...when you're looking down 6, 7, 8, 9 and 10. We you look at how these things are mapped and you look at what they're saying the tax maps are, it doesn't jump all over the place. Bobby Hale is up there at 2H and 2I. James Esta, which is 05, is down in between them. I mean, it looks like property roulette to me.

MARK SWARTZ: Well, I guess my question is where is your map of the boundary as to how it intercepts the tract?

BUTCH LAMBERT: Well, what we're looking at...what I'm looking at here is an inch to 400. A property boundary of a pencil line can be several feet. Your Big Creek map doesn't have a unit boundary on it. So, I'm not sure where you're drawing a distinction of a half of an acre can be a length of pencil map...a pencil mark. You know, we're looking at an inch to 400 map.

CATHERINE JEWELL: Sir, I am aware of that. What I am saying is that the property...the rest of the 2 acre...the .5 acre property cannot be in another unit

because number 4 appears in between in it and the boundary...of the western boundary of unit. That still doesn't explain why Bobby Hale's property, which is assigned 6 and 7 and ours is 8 on the tax map, jumps up to 2H and 2I.

BUTCH LAMBERT: Ms. Jewell, it looks like to me like the 2H and 2I correspond with 6 and 7 on Bobby Hale's property.

CATHERINE JEWELL: That's correct. What's after Bobby Hale's property on the CNX plat?

BUTCH LAMBERT: But you just got done saying that the Bobby Hale property as not located correctly on the different maps.

CATHERINE JEWELL: It is located correctly, I think, on this property, but what I'm asking is---?

BUTCH LAMBERT: Ms. Jewell.

CATHERINE JEWELL: ---where is 8?

BUTCH LAMBERT: Ms. Jewell, if you could control your tone, this Board would very much appreciate it. I mean, we ask you to be respectful of the Board and control the tone of your voice. We would appreciate that very much. We're just trying to understand what your...you're trying to point out here. We're not asking you questions or denying or trying to be

combative with you. We're just trying to understand your situation.

CATHERINE JEWELL: Well, I would suggest just the opposite. I mean, I've doc...I've drawn it out here. Bobby Hale number 6 and number 7, line it up. Then we have 2I, which is missing. I mean, 2J, which is James Esta, which is missing. It's...I can't paint a clearer picture.

BUTCH LAMBERT: For you, Ms. Jewell, that might be a clear picture. But when you're looking at an inch to 400 maps with some many different lines on it, that's just hard for us to walk in here and say that. That's why we're trying to ask you questions and understand where you coming from. It's not as clear as you seem to make it to be unless the rest of these Board members it jumps out at them and they can absolutely see it and understand it. I'll ask them if they can. But for me, this is kind of complicated when you put pencil marks on an inch to 400 maps and move...and go from numbers to letters and different areas. We're just trying to figure that out. I'll ask the other Board members if they have questions or if they understand it. If they do, I apologize. Are there any questions from the Board?

BRUCE PRATHER: I might have a suggestion. Since the N & W Railroad goes right through here, the railroad would have those property lines that coincide with the railroad on their mile markers. So, the railroad might be a better map than a tax map. I mean, you'd have to check and find out. But the railroad parallels all of these things. I bet money that they've surveyed where these property lines comes in.

BUTCH LAMBERT: Ms. Jewell, you're saying that... according to you, who do you think is below 2I on your Big Creek map---

CATHERINE JEWELL: Yes.

BUTCH LAMBERT: ---versus the plat map? The plat map has 2I.

CATHERINE JEWELL: Right.

BUTCH LAMBERT: Okay. Who do you think...in your opinion, who is...who is below 2I? On our plat map, is James Estep, I guess, is 2J.

CATHERINE JEWELL: Uh-huh.

BUTCH LAMBERT: And you're saying that that property is not on your Big Creek map?

CATHERINE JEWELL: No. What should be below 2I is...if 2I is correct, it should be Buck Jewell Resources.

BUTCH LAMBERT: So, you're saying, according to your Big Creek map, that 8 should be Buck Jewell and, I guess, Eva whoever---

CATHERINE JEWELL: Goin.

BUTCH LAMBERT: Goin is that number 9?

CATHERINE JEWELL: Right. But I don't know that for sure. I mean, that...I mean this is where we get into the problem. I don't know that you can just place these people on these map. Something is...I've had 2.11 acres disappear. I have a Sydney Asbury who has appeared who is not even on the property map and a .5 that has become .22. I don't know that you can just shove the properties up because...you know, it's---

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: May I ask a question? On these parcels, Mr. Swartz, on the certified plat map the 2H, I, J, K, that's all parcels of gas ownership or surface or both?

MARK SWARTZ: H shows a surface and all minerals except coal in Mr. Hale.

DAVID ASBURY: So, that would be both---?

MARK SWARTZ: Correct.

DAVID ASBURY: ---except for coal?

MARK SWARTZ: And then it shows the same for him on 2I.

DAVID ASBURY: Okay.

MARK SWARTZ: And they also identify the coal owner. And then it's follow by this Mr. Esta, the same interest except coal. Then we're showing the Buck Jewell tract .22 acres that we have mapped in the unit.

DAVID ASBURY: Okay.

MARK SWARTZ: And then we're showing Armstrong is the next tract as you come down. This Tract 4 is a much larger tract off to the east that just catches the corner of the unit. I mean, you can see the mapping.

DAVID ASBURY: Sure.

MARK SWARTZ: Most of it is outside of the unit.

DAVID ASBURY: It could be outside. Ms. Jewell--

MARK SWARTZ: That's the way we've mapped it. That's the way our title indicates the ownership.

DAVID ASBURY: It goes to title...and this information you've mapped out is from tax maps for surface ownership, Ms. Jewell?

CATHERINE JEWELL: Yeah.

DAVID ASBURY: Okay. So, your problem is the 2.11 acre is here and your sheet that shows 10 is there

is 2.11 acres, a portion of which should be in here that is not showing as Buck Jewell Resources or is that part of 2k?

CATHERINE JEWELL: If you look at the order, just the order of the things...I mean, I can't say where this house or any of this stuff. I don't think there was anything done...I don't know if they even went, you know, to these properties to identify this, you know, like that goes back to what's being certified here. I'm saying that if you look at Bobby Wayne Hale 6, Bobby Wayne Hale 7, Buck Jewell Resources 8, Eva Goin 9, Buck Jewell Resources 10, there is just...it's wrong. The order is wrong. There is new tracts created. I mean, even if we look at Dewey Meadows what is assigned him, okay, and a portion of that's in there, well, right above him is James Armstrong. James Armstrong only goes to the...to the west of the creek, which could be, you know...I mean, it doesn't fall all the way over because part of Buck Jewell's goes to the right.

MARK SWARTZ: I guess, you know, taking surface maps and tax records with regard to ownership and then implying that that's title, I can't get from point A to point B with that. I mean, I don't...I mean, you know, this other map doesn't tell me anything about title.

You know, I'm not hearing that somebody went to the record room to run title on these tracts.

BRUCE PRATHER: The one problem I see with the thing is that I assume yours is coming off a topo sheet and also you're tied into the satellites. The thing that I've noticed is that on the road down through there, see, the hump in it where the 2.1 acres is almost comes over to the highway. Whereas on your map, it doesn't do that. So, which one of the maps is correct. By virtue of that budge to the west there, that could account for the discrepancy in the acreage between the tax map and whatever you were using.

MARK SWARTZ: I don't know where these tax maps come from. I don't know if they took aerial photos and drew lines on them. I mean, I've seen those kind of tax maps. I don't know. But you're right. I mean, there's that difference. I don't know who made this map, the tax map. I don't know how it was made.

BUTCH LAMBERT: Did you copy this out of the record, the tax map, Ms. Jewell?

CATHERINE JEWELL: They sent it to me.

DAVID ASBURY: Has there been a recent survey of either the half acre or the 2.11 acre?

CATHERINE JEWELL: No. There is still an order

to things. You cannot...the property orders do not shift in the middle of the night. They're...it's Russell...I mean, it's---

KATIE DYE: Mr. Chairman.

CATHERINE JEWELL: ---roulette with property.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Just looking at this, you know, her tax map does not show James Estep or Sydney Armstrong. Is it possible that those two pieces of property could have been the 2.11 acres?

BUTCH LAMBERT: Possible.

CATHERINE JEWELL: I think that maybe point...you know, looking at this, I think that the .5...do you see where Bobby Hale is up there? Under Bobby Hale should be somewhere where 2K or this .5 acres should be, okay? It should be up there. As Mr. Prather was saying, the big bump in the thing, if you look at that, that makes sense, okay. So, it's under Bobby Hale, all right. Eva Goin is somewhere in there. Then what you have down here as people that do not appear on the tax maps is probably where that 2.11 acres is. But I don't...that's what I'm saying, I cannot...I cannot tell you for sure because I don't know where these...you

know, this set up is so I cannot accurately say that. But I would also say that this is not an accurate plat unless somebody came like a thief in the middle of the night and stole 2.11 acres and the rest of the .22.

BUTCH LAMBERT: Ms. Jewell, do you have someone here from the county that can testify to this map that it's accurate?

CATHERINE JEWELL: No, I don't.

BUTCH LAMBERT: Can you get someone from the county to certify this is map is accurate?

CATHERINE JEWELL: I'm sure they would be happy to certify it for you just call them up and ask them.

BUTCH LAMBERT: As an accurate survey map?

CATHERINE JEWELL: Do you have somebody who can certify that this is accurate with respect to what the properties are drawn on it?

BUTCH LAMBERT: We have...we have a statement on it that says, "They were taken from deed descriptions and chains of title of record. This does not represent the current boundary survey. This certification is as to the size, shape and location of the proposed unit." Ms. Jewell, you may be correct. I'm not saying that you are or you're not. But we have a certified map from an engineer or is he a licensed surveyor.

SHARON PIGEON: Engineer.

BUTCH LAMBERT: He's an engineer.

ANITA DUTY: He's an engineer.

MARK SWARTZ: Engineer.

BUTCH LAMBERT: Versus just something that you bring into us. If you can...if you will go back and get us a certified land map from the deed of records from the county, we'll be happy to consider that. But, just to come in and give us a map that nobody will testify...that you don't have anybody to testify to or that's not---.

CATHERINE JEWELL: Where is their person to testify?

BUTCH LAMBERT: We have his certified seal on the map.

CATHERINE JEWELL: So, all of a sudden everybody... everything else is wrong?

BUTCH LAMBERT: No, I'm not saying that.

CATHERINE JEWELL: And I need to bring in a person to certify that this is, in fact, more correct than this?

BUTCH LAMBERT: That would help.

CATHERINE JEWELL: Why is the burden placed on me?

BUTCH LAMBERT: Well, how do you expect this Board to accept just a piece of paper that you bring in without being certified?

CATHERINE JEWELL: I expect this Board to say something is wrong.

BUTCH LAMBERT: Ms. Jewell, I'm...let me remind you again, Ms. Jewell, that you're addressing this Board and I ask you to keep your tone appropriate for the Board.

CATHERINE JEWELL: Well, I would ask you to respect the fact that we have property that has disappeared. I would also ask you to respect the fact that you're here to protect correlative rights also. I'm showing you an issue. You know, I don't know how else to say it. The orders are wrong. I mean, if you'd just looked at that and you looked at this on a piece of paper even if they're certified you'd say something is wrong. This needs to be reexamined. But this is...you know, I gave this information back in May. I'm not pulling this out of my hat.

BUTCH LAMBERT: I don't how to be any clearer, Ms. Jewell. If you can go back and get the county to certify what you're bringing to us to give to us to consider then we will certainly consider it. You could

be right. All I'm asking you to do is to have a certified map, bring in a certified map for this Board to consider. You're asking us to take this document over a document that an engineer has certified.

CATHERINE JEWELL: Yeah, I am.

BUTCH LAMBERT: I'm not sure this Board...well, I'm not going to speak for this Board. This Board will have to take a vote on that.

DAVID ASBURY: Mr. Chairman, may I?

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Ms. Jewell, a lot of your questions over time have been about property. Both my office and the Board if you have a survey...a land surveyor or a professional...if you would survey the property in question and you certify that and you bring that land surveyed property to this Board, they and my office both would be your advocate to have that corrected on any plat. But if you have your property surveyed and properly certified by a land surveyor or a professional engineer with their seal of approval and stamp on it, then the Board...it brings more weight and it brings certification that both my office and the Board can recognize.

CATHERINE JEWELL: As I asked before, is this a

survey? Did they go out and survey it? That's my question. Did they survey...is this a survey? It's not a survey, but you want me to do a survey. You want me to expend my money to do a survey on property that we've owned.

DAVID ASBURY: That's the point. You are the property owner.

CATHERINE JEWELL: But I'm not asking for the well.

DAVID ASBURY: As property owner if you have a conflict, then it is your burden to have your property and ownership known and surveyed.

CATHERINE JEWELL: I don't have a conflict until I've come here today. I didn't have it. This conflict was not created until CNX provided this.

DAVID ASBURY: And if you bring a proper certification to the Board with your property duly surveyed and certified, the Board would receive that and add weight to it.

CATHERINE JEWELL: This is...this is really unbelievable.

BUTCH LAMBERT: Or as stated, if you will present us with a chain of title with description on it, the Board will accept that. That's what we're relying

on on this survey or on this plat map.

CATHERINE JEWELL: So, you want me to do a title search for the property and---?

BUTCH LAMBERT: That's what this was relied...that's what this is relied upon.

CATHERINE JEWELL: Uh-huh. Or should I do a title search for all of the properties? Would that help?

BUTCH LAMBERT: Whatever you would like to produce.

BRUCE PRATHER: It should have some certification that would be equal to what we're being presented here. That's what our problem is is that the tax map is good for, you know, looking things up, but the Lord knows how long ago this thing was made and these budes that you're looking at could have been corrected. I would say that probably when this tax map was made, this budge was where the road was. Now, the road has been straightened up and so the budge is not on this one. And that's...that's basically the way things are on these tax maps. There has been a lot of change made.

CATHERINE JEWELL: Property doesn't disappear.

BRUCE PRATHER: Oh, I'm not saying about that.

All I'm saying is---

CATHERINE JEWELL: And in the middle of the night, your property and your neighbors don't shuffle around. That's...that's the point. I think I've presented enough to say that this is uncertain and that there's a question.

BRUCE PRATHER: The big problem that we have it is the fact that what you have presented to us doesn't have equal validation. In other words, this thing is certified by a licensed surveyor. Yours is a tax map that may or may not be certifiable. I mean---

CATHERINE JEWELL: It's...it's just absolutely...I mean, I really feel that this is just absolutely discriminatory. Has this Board ever found that...you know, I have showed a survey where I've had it plotted out and it was just four points. They plotted out a fifth point and this Board held to their survey.

BUTCH LAMBERT: Any further, Mr. Swartz?

MARK SWARTZ: The only observation that I would make is...coming back to what Mr. Prather said. If you compare this map and the relationship of the creek to the road to the plat and the creek to the road they are not in agreement. The CNX surveyed plat has the

properties that we're debating today further to the east than the surface map or the tax map, which would account for pieces of these tracts not being within the unit because the location of the road and the creek on the certified map puts the creek further to the east than they have it on the survey map. I would just offer that...I mean, I don't know where this map came from. I don't know how they made it. But I'm just saying that there is a difference between these two maps, which accounts for some of what she's talking about. It does not account for all of it. But it certainly accounts for some of it. And if this map, you know...if we knew how this map was prepared, we might understand better why they're different.

BUTCH LAMBERT: Well, and that's the point I was trying to make. We just don't know how this map was prepared. It's apparent that there's a lot of difference in the road and in the stream. It could be even the railroad in those two maps.

BRUCE PRATHER: The railroad is probably the only thing there that has not changed.

CATHERINE JEWELL: If you will notice that on the west...I mean, on the east is the railroad on both sides.

BUTCH LAMBERT: But if you'll notice on your Big Creek map, the creek takes in part of the railroad.

CATHERINE JEWELL: I don't...the creek doesn't matter because the people, except for this Armstrong on down at the bottom, the creek is owned on both sides. I'm talking about a property that disappeared. That's all I'm saying. But, you know, it just amazes me. Well, let me continue because obviously nothing is going to be done, but I wasn't holding my breath for anything. The last thing that was listed is we're conflicting claimants. We're not. And I will not recite the Code again. I will not recite what that said. I will not recite the fact that this Board doesn't seem to have to comply with the Code of Virginia. That's basically all I have to say. Thank you.

BUTCH LAMBERT: Ms. Duty, do you have a response to the comments by Ms. Jewell that they are not conflicting claimants?

ANITA DUTY: Well, we know that Southern Region they will claim the CBM as well, I mean, just from...I mean, we have a lease with them and we know that they will put their claim on it as well. That's the reason that we show it that way.

BUTCH LAMBERT: Any further questions from the

Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

BRUCE PRATHER: I make a motion to approve.

BUTCH LAMBERT: I have a motion to approve.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second.

All those in favor, signify by saying yes.

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

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: No.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. The motion passes. Moving to docket item seventeen. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit ZZZ-25, docket number VGOB-10-0720-2755. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. Have you been previously sworn?

A. Yes.

MARK SWARTZ: Mr. Chairman, I'd like to incorporate Anita's testimony from the prior hearings with regard to the applicant and operator, lease terms and her employment.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

Q. This is a pooling application, correct?

A. Yes.

Q. Pertaining to what unit?

A. ZZZ-25.

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

A. Mailed by certified mail return receipt requested on June the 18th, 2010. Published in the Bluefield Daily Telegraph on June the 29th, 2010.

Q. And when you published, did you publish

the location map of the unit and the notice?

A. Yes.

Q. Okay. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. Are you going to provide Mr. Asbury with your certificates with regard to mailing and your proof of publication today?

A. Yes.

Q. Okay. This unit is in what field?

A. The Oakwood.

Q. And it's how many acres?

A. 80.

Q. How many wells are proposed?

A. Two.

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

A. Within the window.

Q. And what interest have you been able to either purchase or lease and what are you seeking to pool by this application?

A. We've leased a 100% of the coal claim.

99.992% of the oil and gas claim. We're seeking to pool 0.008% of the oil and gas claim.

Q. Okay. And have you provided cost estimates with regard to the two wells?

A. I have.

Q. Okay. And with regard to ZZZ-25, what's the estimate?

A. \$296,283.22. The permit number is 7206 with an estimated depth of 2,760.

Q. With regard to 25A?

A. \$30,049.93. The permit number is 7347 with an estimated depth of 2,610 feet.

Q. Is there an escrow requirement with regard to this unit?

A. No.

Q. Are there any split agreements?

A. No.

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

A. Yes.

Q. Is it your further testimony that drilling two frac wells within the drilling window of this Oakwood 80 acre unit is a reasonable way to develop the coalbed methane resources?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: Mr. Chairman, I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I think I know the answer to it. On item 16, we were working on AW-146. It says Oakwood on ours, but I guess that's Middle Ridge. Then on this one, we're working on the same well, A1...AW-146, Oakwood. Is that a coincidence or is that a mistake or...I mean, on our...our sheet?

DAVID ASBURY: That's a typographical error. It's ZZZ-25.

BRUCE PRATHER: Oh, okay. Oh, okay.

DAVID ASBURY: On seventeen.

BRUCE PRATHER: Yeah, okay.

MARY QUILLEN: It was picked up probably from the previous one.

DAVID ASBURY: Yes, from the previous one.

MARK SWARTZ: Ours don't say that. Did you fix it on the website?

DAVID ASBURY: No.

BRUCE PRATHER: It's the sheet that we've got.

MARK SWARTZ: Oh, okay. I bet...it's correct on the website because I printed the docket off the website yesterday. Okay, because I was thinking my is right.

BRUCE PRATHER: I was looking it...I thought we've got the same well and now it's in a different field. That's more than coincidence. Okay.

MARK SWARTZ: If you could get on your website you'd see what I mean. I think somebody got it straightened out. Okay, yeah.

BUTCH LAMBERT: Ms. Duty, on Exhibit A, page two, item number three---.

ANITA DUTY: I actually have a revision to fix that because---.

BUTCH LAMBERT: Oh, okay.

ANITA DUTY: Sorry. We changed it to a 100.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: Not on ZZZ-25.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve with the correct coal interest leased or owned.

BUTCH LAMBERT: I have a motion.

BRUCE PRATHER: Second.

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

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye.
Calling docket item eighteen. A petition from CNX Gas Company, LLC for establishment of a 240 acre horizontal coalbed methane drilling unit, a location exception and pooling for unit I-17, docket number VGOB-10-0720-2756. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz, Anita Duty and Les Arrington.

(Leslie K. Arrington is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, would you state your name for us, again?

A. Anita Duty.

Q. You're still under oath?

A. Yes.

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

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

Q. Anita, this is a horizontal drilling unit, correct?

A. Yes.

Q. And although it's listed on the docket as being both to establish the unit and to pool it, the unit was actually established previously, correct?

A. Yes.

Q. And back I'm thinking in 2006, if I'm not mistaken?

A. Yes.

Q. Here we go. Yes. So, we're really here just to pool the unit?

A. Yes.

Q. Okay. And with regard to pooling, did you provide notice that we were going to have a hearing today?

A. I did.

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

A. Mailed by certified mail return receipt requested on June the 18th, 2010 and published the notice and location exhibit in the newspaper on June the 29th, 2010.

Q. And are you going to provide Mr. Asbury with copies of your certificates with regard to mailing and your proof of publication today?

A. I will.

Q. Do you want to add any respondents?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. The...you have provided a plat map, which I think is three or four pages in here, which shows the unit that was...240 acre unit that was

previously created and shows the horizontal well underground on that plat, is that correct?

A. Yes.

Q. I want to talk to Les about that in a minute. But that is the mapping of the well as drilled, correct?

A. It is.

Q. Okay. Is there a...have you provided the Board with a well cost estimate?

A. I have. It's \$848,209.44.

Q. And the permit for this well?

A. 7736.

Q. And the depth of the horizon that it's drilled at or into?

A. 3,300 feet.

Q. And is there an escrow requirement with regard to this unit?

A. Yes.

Q. For...an part of it is you have some unknowns and unlocateables in Tract 5, correct?

A. That's correct.

Q. And then you have conflicts in Tract 5 and also several other tracts, correct?

A. Yes.

Q. Which other tracts?

A. It's 8...5, 11A and 12B.

Q. Okay. Would be the four tracts---?

A. The four total.

Q. ---in this unit requiring escrow?

A. Yes.

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

A. No.

Q. And what interest has the operator been able to acquire and what is the percentage interest that you're trying to...that you're seeking to pool today?

A. We've acquired 99.1362% of the coal claim and 98.8936% of the oil and gas claim. We're seeking to pool 0.8638% of the coal claim and 1.1064% of the oil and gas claim. I have the same problem with Exhibit A, page two. So, I need to give them a new one.

Q. Okay. You need to make it be a 100% instead of 99?

A. No, it's actually. I don't know where the other number came from. But it should be 99.1362%.

Q. And you're going to file that after today---?

A. Yes.

Q. ---or do you have it with you?

A. I do. It's right here.

Q. Oh, great. Okay. Go ahead.

A. Do it?

Q. Yeah.

(Exhibits are passed out.)

Q. I just have a couple of more questions for you. First of all, if you combine...is it your opinion that if you combine a pooling order with the leasing and acquisition efforts that CNX has been successful with that the correlative rights of all owners and claimants in this 240 acre unit will be protected?

A. Yes.

Q. And is it your further opinion that attempting to drill a horizontal well in this unit was a reasonable way to try and produce the coalbed methane in this unit?

A. Yes.

MARK SWARTZ: I have a few questions for Les.
But that's all I have for Anita.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Swartz.

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. And who do you work for?

A. Consol Energy.

Q. And you're already under oath, right?

A. Yes.

Q. Are you familiar with this unit and the well that was drilled?

A. Yes, I am.

Q. Okay. Originally, was it an intention...was it the intention to get the horizontal well to go all the way from I-17 as shown on the plat to G-17?

A. It was.

Q. And why was it...why was that the goal?

A. This well was originally planned to be drilled down depth toward the G-17 well for the water that we encountered produce so as to flow back into G-17 well---.

Q. And then---

A. ---and be removed there.

Q. Okay.

A. However, in the drilling of this well, we encountered many difficulties. And as you can see, the well ended up a very short...134 feet short of the G-17 well.

Q. So, in terms one of...one of...one of the issues would be the fact that it did not get as far as was intended, obviously, when you're allocating production from this well between these units we've got a footage differential---

A. We do.

Q. ---in terms of the length of the well bore producing from this horizon? And also when we filed this application, we gave sort of a standard estimate as to what production we might expect.

A. We did.

Q. And I would ask you to sort of explain to the Board and the people who might want to participate in this unit what your expectation at the moment, now having drilled the well and having encountered these problems, would be with regard to production.

A. Yes. Due to not being able to remove water, we're not getting near the production that we thought. Our original estimate was 75 to 150 mmcf. And we're probably in the range of 50 to 55 mmcf now.

Q. (Inaudible) reserves?

A. Yes.

Q. It doesn't effect the reserves in the ground, it's just what this---?

A. Yes.

Q. ---might recover?

A. That's correct.

Q. On a daily basis, what are you looking at?

A. 8 to 10.

Q. Pretty bad?

A. Yes.

MARK SWARTZ: Okay. I think that's all I have of Les.

DONNIE RATLIFF: You're talking about G-17 or the horizontal leg?

LESLIE K. ARRINGTON: Well, the horizontal leg we originally...like I said, we had it designed and drilled into the G-17 well and produced the water from there and the gas would have most likely produced out of

the I-17.

DONNIE RATLIFF: I-17.

LESLIE K. ARRINGTON: However, we have no way to remove the water. So, we're getting very poor gas production out of it.

SHARON PIGEON: When did you say this unit was previously established?

MARK SWARTZ: It was...it was in VGOB docket 06-0321-1599 was the docket that created the unit. Do you have the date of the order?

ANITA DUTY: I don't have any order.

MARK SWARTZ: We don't have an order.

SHARON PIGEON: But that's when it was originally filed?

MARK SWARTZ: But it was approved and that was heard.

SHARON PIGEON: Thank you.

BUTCH LAMBERT: Any further questions?

MARY QUILLEN: Mr. Chairman, just one question for Mr. Arrington. You said you had run into a problem that prevented you from going...drilling into G-17. Have you drilled any horizontal...other horizontal wells in this area?

LESLIE K. ARRINGTON: Not...not in the 11 seam,

we have not. We've drilled several horizontals in the 3 seam and another seam, I think the 4 seam.

MARY QUILLEN: But this is the first one in this---?

LESLIE K. ARRINGTON: Yeah, in the 11 seam.

MARY QUILLEN: Oh. You didn't say, what kind of obstruction? What did you run into there that prevented you from continuing?

LESLIE K. ARRINGTON: We're not sure what we encountered. We encountered something in seam. We backed up twice and tried to go around it.

MARY QUILLEN: And still...and couldn't---?

LESLIE K. ARRINGTON: If you'll notice on the plat you'll actually see the little fingers where we tried---

MARY QUILLEN: Yeah, you can see the...yeah, that's what I was going to say, was there something quite---?

LESLIE K. ARRINGTON: We just ran into something. We don't know what we ran into---

MARY QUILLEN: And you just couldn't get around it?

LESLIE K. ARRINGTON: ---and we could not get around it. No.

BRUCE PRATHER: I'm I right in making the assumption that you've probably got 7" set somewhere up the hole and since you didn't run the 4 and a half, you've got a 6 (inaudible) hole that you're going to bring that lateral out on, is that correct?

LESLIE K. ARRINGTON: We did. That's correct.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any---?

DONNIE RATLIFF: (Inaudible).

BUTCH LAMBERT: Go ahead, Mr. Ratliff.

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye.

Ladies and gentlemen, we're going to break for lunch.

We'll resume at 10 after 1:00.

MARK SWARTZ: Thank you.

(Lunch.)

BUTCH LAMBERT: Ladies and gentlemen, it's now time for us to resume. I'd like to take us back to item number two on the docket. That is the Board will consider approval recommending a language change and statement of investment policy. I want to just pass out a document. It is the statement of investment policy of the Virginia Gas and Oil Board and First Bank & Trust Company, the agent. This does not require any action on our part. It's just for information only. I ask that you take it and review it. If there needs to be any discussion, we can have that next month.

(Investment policy is passed out.)

BUTCH LAMBERT: Calling the next item on the agenda...on the docket it item nineteen. A petition from EQT Production Company for pooling of horizontal conventional gas unit VH-539909, docket number VGOB-10-0720-2757. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser and Rita Barrett on behalf of EQT Production. In case there's folks here, we do have a couple housekeeping items. We would like to...do you think this is a good time to do it?

BUTCH LAMBERT: Yeah, let's just do it now.

JIM KAISER: Items twenty-one and twenty-eight, we'd like to withdraw.

BUTCH LAMBERT: Okay. Calling docket item twenty-one. A petition from EQT Production Company for pooling of coalbed methane unit VCI-538130, docket number VGOB-10-0720-2759 is withdrawn.

JIM KAISER: Sir, I'm sorry, I misspoke. Twenty-eight, I guess, we don't want to withdraw.

BUTCH LAMBERT: Okay.

JIM KAISER: I got conflicting information on that.

RITA BARRETT: I'm not withdrawing it.

JIM KAISER: So, just twenty-one.

RITA BARRETT: Yeah.

BUTCH LAMBERT: All right. So, we're ready to proceed with nineteen?

JIM KAISER: Yes, sir.

BUTCH LAMBERT: Okay. You may proceed, Mr.

Kaiser.

(Rita Barrett is duly sworn.)

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

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

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

A. Yes.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest within the unit for this well?

A. Yes.

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

A. Yes.

Q. Prior to the filing of the application,

were efforts made to contact each of the respondents owning an interest within the unit and 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. 96.74%.

Q. And this is a conventional horizontal well?

A. It is.

Q. And the unit has previously been established?

A. Yes, in January of 2009.

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

A. Yes.

Q. So, what percentage of the unit remains unleased?

A. 3.26%.

Q. Okay. And we do not have any unknowns or unlocateables within the unit, correct?

A. That's correct.

Q. Are the addresses set out in Exhibit B to the application 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 as listed at Exhibit B-3?

A. Yes.

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

A. I am.

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

A. Yes. Twenty-five dollars per acre for a five year paid up term and a one-eighth royalty.

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

A. Yes.

Q. As to those respondents listed at B-3 who remain unleased, do you agree that they should be allowed the following statutory options with respect to their ownership interest within the unit:

1) Participation; 2) a cash bonus of twenty-five dollars paid up 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-eighths 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 respondents be in writing and sent to the applicant at EQT Production Company, P. O. Box 23536, Pittsburgh, Pennsylvania 15222, Attention: Christy Shannon and/or Alma Tallman?

A. Yes.

Q. Okay. Should this be the address for all communications with the applicant concerning any

force pooling order?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Do you recommend that the order provide

that if a respondent elects to participate, but fails to pay their proportionate share of actual well costs then that respondent's election to participate should be treated as having been withdrawn and void and that respondent should be treated as deemed to have leased?

A. Yes.

Q. Do you recommend the force pooling order provide that where a respondent elects to participate but defaults in regard to the payment of well costs any cash sum becoming payable to that respondent be paid by the applicant within 60 days after the last date on which the respondent should have paid their payment for well costs?

A. Yes.

Q. We do not have any unknowns or unlocateables in this unit. It is a conventional horizontal unit. So, the Board does not need to establish an escrow account?

A. That's correct.

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

A. EQT Production Company.

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

A. 7,892 feet including the lateral.

Q. Estimated reserves?

A. 900 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. Yes.

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

A. Yes. Dry hole costs are \$510,934 and completed well costs are \$1,031,360.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

JIM KAISER: Noting further of this witness at this time, Mr. Chairman.

BRUCE PRATHER: I've got a question, Mr. Chairman.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: Rita, are these next wells Roaring Fork?

RITA BARRETT: I believe so. Hang on a second. Yes.

BRUCE PRATHER: Okay. Thank you.

BUTCH LAMBERT: Ms. Barrett, I have one quick question that deals with an address for Wellmore Coal. I thought they had moved their offices from Bristol.

RITA BARRETT: They have moved? We haven't gotten notification that they've moved. Do you have a correct address for them?

BUTCH LAMBERT: I just thought they had moved somewhere down near Blountville, Tennessee.

RITA BARRETT: Not to our knowledge.

BUTCH LAMBERT: They're in the old sprint building beside Food City on 494 going out---.

JIM KAISER: We need to check that because their package went unclaimed.

BUTCH LAMBERT: Well, that's probably why.

RITA BARRETT: It did go unclaimed?

JIM KAISER: Yeah.

DONNIE RATLIFF: It's...I think that road is called Sprint Avenue or something. It's off 494 like you're going out to the Race Track on that new road out through there. It's right---.

RITA BARRETT: In Blountville you said?

DONNIE RATLIFF: Right beside the...would it be Blountville or Bluff City?

BUTCH LAMBERT: Bluff City. I'm sorry.

DONNIE RATLIFF: Yeah, it would be Bluff City.

BUTCH LAMBERT: Bluff City.

RITA BARRETT: Okay.

BUTCH LAMBERT: The only reason that I asked that question is they're changing their addresses on some of their coal permits to that---.

RITA BARRETT: Okay.

BUTCH LAMBERT: ---Bluff City address.

RITA BARRETT: Okay. We'll look into that and get it corrected.

BUTCH LAMBERT: Okay.

RITA BARRETT: Thank you.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

KATIE DYE: Second.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BUTCH LAMBERT: Two abstentions, Mr. Prather and Mr. Ratliff. Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: Item twenty on the docket is a petition from EQT Production Company for pooling of horizontal conventional gas unit VH-531021, docket

number VGOB-10-0720-2758. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

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 within this unit?

A. I am.

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

A. We do.

Q. And prior to the filing the force pooling 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 percentage under lease to EQT in the gas estate in this unit?

A. 96.74%.

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

A. Yes.

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

A. 3.26%.

Q. And, again, is it accurate to state that there are no unknown or unlocateables in this unit?

A. That's correct.

Q. And are the addresses, other than Wellmore, as 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. 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. Twenty-five dollars per acre for a five year paid up term and a one-eighth royalty.

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

A. Yes.

JIM KAISER: Now, Mr. Chairman, at this time, I'd ask that we be allowed to incorporate the testimony taken earlier in the previous hearing regarding the statutory election options afforded any unleased parties and the ramifications thereof.

BUTCH LAMBERT: Accepted.

Q. Ms. Barrett, the...since we don't have any unknown and unlocateables and it's a conventional unit, the Board does not need to establish an escrow account, is that correct?

A. That's correct.

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

A. EQT Production Company.

Q. And the total depth of this proposed well?

A. 8,830 feet including the lateral.

Q. Estimated reserves over the life of the unit?

A. 850 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. Yes. Dry hole costs are \$513,299 and completed well costs are \$1,080,318.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

KATIE DYE: Second.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

DONNIE RATLIFF: I'll abstain.

BUTCH LAMBERT: Two abstentions, Mr. Ratliff and Mr. Prather.

RITA BARRETT: Thank you.

BUTCH LAMBERT: Thank you.

JIM KAISER: Mr. Chairman, I think because of the...these next seven items, they're all

establishment... they're all requesting the establishment of a provisional drilling unit for conventional horizontal wells. Mr. Shankin has prepared a package of information. He has got his basic core information and he has attached to the back of it a separate page for each of the seven units. Rather than...I think we could probably consolidate them because we also have in this particular case the interest within all seven of the units are all completely under lease. There won't be any force pooling in the future or anything there. So, unless you all think that will be too confusing, if we could just go ahead and combine all of those and we'll have the one land witness testify and then Mr. Shankin testify and it will be the same testimony for all seven units basically.

BUTCH LAMBERT: Okay. And they're all in the same area as well, Gladeville District.

JIM KAISER: Yes, sir.

BUTCH LAMBERT: The only...the only issue that I might have...I know I have a question on item twenty-six. David...Mr. Asbury, you can correct me. Is that...is there a mistake in our description? It talks about a provisional 312.11 acre. Is there something

different about twenty-six then there are with the others?

DAVID ASBURY: I think originally it was submitted as a 320 and it was revised to a 312.11.

BUTCH LAMBERT: Okay. So---.

RITA BARRETT: If you'll...if you'll look at that plat, you'll see that there's...it's pieced up here.

DAVID ASBURY: The petition that we have is a 312.11.

BUTCH LAMBERT: That's what we show.

(Rita Barrett and Luke Shankin confer.)

BUTCH LAMBERT: I'm just wondering if there's something...is there something different about that unit that we need to address.

DONNIE RATLIFF: The top of it is not square across. It comes down and over.

LUKE SHANKIN: No, I can explain it as we get going.

BUTCH LAMBERT: We need to get him sworn.

JIM KAISER: Oh, it has got the little kick in it.

(Luke Shankin is duly sworn.)

BUTCH LAMBERT: Why don't we---?

SHARON PIGEON: Do you need to be sworn?

RITA BARRETT: Yes, he does.

SHARON PIGEON: He needs to be sworn.

(William Eric Strouth is duly sworn.)

BUTCH LAMBERT: Why don't we just call all of those and then when we get to that one we'll---

JIM KAISER: Separate it out.

BUTCH LAMBERT: Okay. Okay, calling docket item twenty-two, which is a petition from EQT Production for establishment of a provisional 320 acre horizontal conventional drilling unit. It's docket number VGOB-10-0720-2760. Also, calling item twenty-three, which is docket number VGOB-10-0720-2761. Calling docket item twenty-four, VGOB-10-0720-2762. Docket number twenty-five, which is VGOB-10-0720-2763. Item twenty-six which is docket number VGOB-10-0720-2764. Item twenty-seven which is docket number VGOB-10-0720-2765 and item twenty-eight which is docket number VGOB-10-0720-2766. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, I'm sorry, we just conferred again and we do need to withdraw that twenty-eight.

RITA BARRETT: Sorry.

JIM KAISER: I was right the first time.

BUTCH LAMBERT: After I went through all of that?

JIM KAISER: Yeah, I'm sorry. I was right the first time. You can blame this one on Rita.

RITA BARRETT: It's all my fault.

JIM KAISER: For once, it's not my fault.

RITA BARRETT: I forgot about an email I sent him.

BUTCH LAMBERT: Okay. So, we are withdrawing item twenty-eight?

JIM KAISER: Yes, sir.

RITA BARRETT: Yeah.

BUTCH LAMBERT: VGOB-10-0720-2766, it's withdrawn.

JIM KAISER: Thank you.

BUTCH LAMBERT: Okay. You may proceed, Mr. Kaiser.

JIM KAISER: Okay. We're going to start with Mr. Eric Strouth.

WILLIAM ERIC STROUTH

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Strouth, if you could state who...your name and who you work for?

A. William Eric Strouth. I work for EQT Production.

Q. And this is your first time testifying before the Virginia Gas and Oil Board?

A. Yes, it is.

Q. Could you go over your educational background and work history?

A. Yes. I've got my Associate's Degree from Virginia Highlands Community College. I'm currently working on my Bachelor's at UVA-Wise. I started in 2007 doing contract work for Equitable as operations guy picking the well sites and talking to the land owners. Pretty much everything that is involved with clearing the well. Then I switched over to leasing in 2008. June the 1st, 2009 I started with the company and have been helping with the exhibits as well as leasing.

Q. Thank you. And would it be your testimony that...it's now six units again instead of seven. But in these six provisional units that we're attempting to establish here that all coal, oil and gas

owners as required by statute have been notified of these hearings?

A. Yes.

Q. And would it be your testimony that a 100% of the interest within all six units are released to EQT?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

DONNIE RATLIFF: Mr. Chairman. Virginia Coal and Iron is it VICC or is that different?

WILLIAM ERIC STROUTH: Yes.

SHARON PIGEON: Yes what. That's an or question.

DONNIE RATLIFF: That's--.

WILLIAM ERIC STROUTH: Yes, it's Virginia---

DONNIE RATLIFF: It's VICC?

RITA BARRETT: Yes.

WILLIAM ERIC STROUTH: Yes, VICC.

BRUCE PRATHER: I have a question. Are these all Roaring Fork?

RITA BARRETT: Let's see---

BRUCE PRATHER: I think they are.

JIM KAISER: Yeah, they are.

RITA BARRETT: I think they all are except docket item 2760.

BRUCE PRATHER: 27?

RITA BARRETT: 2760.

JIM KAISER: It's all Greater Wise?

RITA BARRETT: Yeah.

DONNIE RATLIFF: Mr. Chairman.

JIM KAISER: So, it would all be except the first one.

BRUCE PRATHER: Well, Greater Wise is down there on Buck Knob. We have an interest in all of that stuff down there. Is that where this well is?

RITA BARRETT: It's a 100% on Greater Wise. Yeah, I think it is Roaring Fork.

BRUCE PRATHER: Yeah. I think so to.

BUTCH LAMBERT: Yeah, we've got a question...I think there's a question. We're trying to figure out how to ask it.

DONNIE RATLIFF: Mr. Chairman. I think all of the VICC stuff is controlled by Natural Resource Partners, John Looney's group.

WILLIAM ERIC STROUTH: ACIN.

DONNIE RATLIFF: Yeah. So, that's what this is.

BUTCH LAMBERT: So, I think there's still a question here of should this be listed as VICC or ACIN.

RITA BARRETT: Which one are you talking about?

BUTCH LAMBERT: I'm looking at especially Tracts 7 and 8 on Exhibit---

DONNIE RATLIFF: On the first one.

RITA BARRETT: On the first one?

BUTCH LAMBERT: Uh-huh. Yes. Sorry, twenty-two.

RITA BARRETT: That's just the tract name. That's actually Greater Wise with the coal, oil and gas. I'm not sure why that...I'd have to check into it, but it looks... it's just the tract name.

JIM KAISER: Yeah, the only people we noticed was Greater Wise.

RITA BARRETT: Greater Wise is a 100% leased in this unit.

BUTCH LAMBERT: Okay. Okay.

JIM KAISER: And they're the coal, oil and gas owner on all of these tracts.

BUTCH LAMBERT: Okay.

SHARON PIGEON: All three...they own all three coal, oil and gas?

JIM KAISER: Ma'am...yes, ma'am.

BUTCH LAMBERT: Wait a minute. All three, they have---.

SHARON PIGEON: They own it all.

JIM KAISER: All three estates is what she was asking.

BUTCH LAMBERT: Okay. I'm sorry. I misunderstood. I'm sorry.

RITA BARRETT: See what happens to us when we go to lunch.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue.

LUKE SHANKIN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay, Mr. Shankin, if you'd state your name, who you work for and in what capacity.

A. Luke Shankin, EQT Production as a geologist.

Q. And you've testified on the

establishment of these provisional units on numerous occasions?

A. Yes, sir.

Q. And you have prepared a packet of information for the Board today to illustrate our testimony that includes your general testimony and then it also includes a separate slide, for lack of a better term, for each of the individual units that we're attempting to establish?

A. Yes.

Q. Okay. So, if you would go through your presentation there.

A. Okay. The same presentation. The same basic information as we typically present. It's 320 acre square units with dimensions of 3733 by 3733 with a 5,280 foot diagonal. We can address the one that is not when we get to it, but all them but that will have those dimensions. A 300 foot interior window, which will provide a 600 foot standoff from adjacent grid horizontal wellbores. We will be able to drill the surface location from outside of the unit so long as production comes from within the unit. A minimum distance of 600 feet between the horizontal wellbore and any vertical produces from the same horizon. This will

allow for multiple wells and/or laterals for maximum drainage within the unit and in some cases two or more wells may be able to use the same pad due to terrain restrictions. Again, BB shows the dimensions of all those 320 acres with the 3733 foot sides and a 5,280 foot diagonal. CC just puts some of the basic benefits of horizontal drilling. We have fewer issues with coal mining. There's less surface disturbance. We can more effectively extract the resource. The laterals can reach into areas otherwise inaccessible by vertical wellbores. We get higher depletion rates and shorter lives to wells, so people get paid quicker. This will encourage future development of the resource in Virginia. DD just shows the locations of the six units that we're applying for today throughout the Roaring Fork Field, which is all Wise County, Virginia. You can see those correspond to the Board docket number. Then as we go through this, EE shows the first one, which is EQT unit 2760 with its surrounding laterals...or surrounding vertical wells. I'm sorry, they're not horizontals. The next one, FF, shows EQT unit 2761. Moving forward GG shows EQT unit 2762 with its vertical wells. HH shows EQT unit 2763 with its vertical wells. And II, I believe, is the unit that you guys have the

plat for that has the edge off of it. I believe the map that I have here in front of me and the plat that you have is correct. An oversight on our part as far as putting these slides together. The corner...can I see that plat real quicker just so I'm certain---?

Q. 2764?

A. Excuse me for just one second. Yeah, I believe my map is incorrect. The plat that you were given that shows the corner of this thing cut off at the top here. The reason we're missing this section here is when we originally established these units we established them based off the best possible surface locations we felt we could get to give us the most highly likelihood of positive results in our horizontals. So, what this is is we can send something or show in the future there's another horizontal unit that sits right up there. This is our way of making sure that nothing get left out of the...you know, in between the two units. So, essentially you have another 320 acre unit that occupies that corner of this unit up here. So, we left that portion out so these abutted up with no spaces in between them, which is how when we have these makeup units as we go throughout the field you may get some odd shapes, but we're going to make

sure that everything fits together without spacing in between them. That's why there's a little corner missing from the top corner of this unit. The last unit on the slide there is JJ and that's for 2765 which is a 320 acre unit.

MARY QUILLEN: I have one question on that pervious one.

LUKE SHANKIN: Sure.

MARY QUILLEN: Where those overlap, what about the ownership in that...in both of those two units?

JIM KAISER: Well, they won't overlap. That's why we did it that way.

LUKE SHANKIN: They will be...they will be left off of this unit and it will just be...it will just be part of the unit that we already have established and then that 300 foot interior window will continue down into this one. So, that's why that unit is a 312 instead of 320 acre because that portion is being left off of this so that everything kind of fits into together.

BUTCH LAMBERT: Was that established that way in the unit to the north of that?

LUKE SHANKIN: The unit to the north was just established as a 320, but the way we're trying to fit

these on a grid pattern so they're all going to fit together. So, to get back some of the older wells based off where we could get our surface locations, the grid pattern was off just a little bit from some of the others. So, this is an attempt once we go through here to match everything up. We're not going to overlap the units. We'll just take maybe a section out of this one so they kind of puzzle piece together where they have to in order so that we don't leave any acreage out. The unit to the northwest there was just established as a 320 acre unit and happens to overlap where this would fit in so that everything can fit on the same grid system.

DONNIE RATLIFF: Mr. Chairman. So, why can't you slide that down and line them up?

LUKE SHANKIN: Well, we could slide this down a little bit, but the grid pattern that we're working on for the overall field would need to kind of slide up. We're trying to fit these all on the same system. If we slide this one down, then when you put the unit overtop of it, you're going to---

JIM KAISER: You're going to have to slide---

LUKE SHANKIN: ---mismatch everything. So, in the bigger picture, which is what maybe we need to show

to you guys in the future of what we're trying to do overall and this will make a little sense when we have units like this in the future is you can see what we're doing now and what we're working towards so we're not leaving anything out. I think maybe that would be---.

BUTCH LAMBERT: That would be very helpful. I wished we would have done it this time.

LUKE SHANKIN: Yeah, if I had of...I didn't realize that we had one of these on here or I would have, Mr. Chairman.

BUTCH LAMBERT: In the future, include it all. It would make it easier for us, okay.

LUKE SHANKIN: Yeah, we will.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Are you asking for all six?

JIM KAISER: Yes, sir.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve. Will you send the revised exhibit?

LUKE SHANKIN: For this handout?

MARY QUILLEN: Yes. For the---?

LUKE SHANKIN: That shows the corner missing?

MARY QUILLEN: Yeah, with the corner missing.

LUKE SHANKIN: Yes.

JIM KAISER: You can show that unit in a slide.

LUKE SHANKIN: Yeah, we'll send a revised that shows that and we'll show the unit---.

JIM KAISER: Show the northwest unit slide in it.

LUKE SHANKIN: ---so you can see how it fits into together.

MARY QUILLEN: Right. Motion to approve with the revised Exhibit II, is that right?

LUKE SHANKIN: Yeah, II.

MARY QUILLEN: II.

DONNIE RATLIFF: Second, Mr. Chairman.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: One abstention, Mr. Prather.

Thank you. The next item on the docket is item twenty-nine. A petition from EQT Production Company for a modification of the Nora Coalbed Gas Field to allow one additional coalbed gas well to be drilled within each of the 58.77 acre Nora units identified as BC-50, BC-51, BD-49, BD-50, BD-51, BE-48, BE-49, BE-50, BE-51, BF-47, BF-48, BF-49, BF-50, BF-51, BF-51, BF-52, BF-53, BF-54, BG-46, BG-47, BG-48, BG-49, BG-50, BG-51, BG-51, BG-53, BH-49, BH-51, BI-49, BI-50, BI-51 and BI-52, docket number VGOB-89-0126-0009-66. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett and Abby Tomkiewicz.

(Abby Tomkiewicz is duly sworn.)

BUTCH LAMBERT: You may proceed.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you would again state you would again state your name, who you're employed by

and in what capacity?

A. Yes. My name is Rita McGlothlin Barrett. I'm employed by EQT Production Company in Clintwood, Virginia as Regional Land Manager.

Q. And we have filed this application seeking to drill a second well, one additional well within these existing units, is that correct?

A. That's correct.

Q. And has everybody been notified, all coal, oil and gas owners have been notified as required by statute?

A. Yes.

Q. And what is the lease status of these increased density units?

A. This units are 100% leased.

Q. Okay. So, there won't be any force pooling required?

A. That's correct.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue.

ABBY TOMKIEWICZ

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Abby Tomkiewicz and I'm a geologist at EQT.

Q. And you have testified before the Gas and Oil Board previously on these increased density applications?

A. Yes, I have.

Q. And you have prepared a package of information for the hearings this afternoon to help illustrate your testimony?

A. Yes.

Q. And if you could go through your testimony for the Board now?

A. I put together a packet. It's the usually packet we put together for our proposed infills. The first page AA just goes through and it gives the number of infill wells that we've drilled, the cumulative production and our rate just to illustrate

the positive effects, you know, that drilling infills have. On the next page, you can see the gross volumes. The blue line is the original wells that we've drilled and the red line is the increased density wells. So, you can tell drilling another well within the grid is useful for helping to drain the reservoir more effectively. Then Exhibit CC illustrates where in the field these grids are. A majority of them are located right in the middle of the field and then there is one off to the right and then the grey grids are the infills that have been previously approved by the Board. And then DD and EE just to zoom so you can see the actual grid numbers where we would like to drill infill wells. Again, the grey are previously approved.

Q. Okay. And, again, it would be your testimony then that company wide you all continue to see enough incremental additional production from the second well in the unit to continue to invest the capital towards this increased density drilling?

A. Yes, based on the results that we've had so far, we feel that drilling infill wells in these grids in these areas of the field would help increase---

Q. More effectively drain the reservoir

underlying the unit?

A. More effectively drain the reservoir, yes.

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

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Mr. Chairman. You just stated that the grey areas had been approved. Is this for the original well or for increased density?

ABBY TOMKIEWICZ: This is for the increased density. All of the grey areas are areas where we've already been approved to drill an infill.

BRUCE PRATHER: Have they been drilled?

MARY QUILLEN: Have they been drilled, yeah?

JIM KAISER: Have they been drilled?

ABBY TOMKIEWICZ: I can't say for certain.

RITA BARRETT: Most of them have.

ABBY TOMKIEWICZ: Most of them have. I would have to look further instead. I don't want to give you inaccurate---.

BRUCE PRATHER: I assume your data then is based on the offsets to this large unit?

ABBY TOMKIEWICZ: Yes. We do have quite a few...you know, some infills in the center of our

fields. So, it's possible.

BUTCH LAMBERT: And why aren't you asking for increased density in BJ-49 and BK-50?

DONNIE RATLIFF: Are they not?

BUTCH LAMBERT: No, they don't.

ABBY TOMKIEWICZ: In which---

BUTCH LAMBERT: I'm looking on Exhibit DD.

ABBY TOMKIEWICZ: The BJ-49 and BK-50, I'm not sure. Is it a land---

RITA BARRETT: I would think that that is either a spacing issue on the ground or it's a terrain issue and we can't get a second well in the grid. If we get one in there, we would.

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

DONNIE RATLIFF: Are there active mines in this area?

ABBY TOMKIEWICZ: I believe there is some. I can't say for certain. I would have to look at a map.

BUTCH LAMBERT: There should be.

DONNIE RATLIFF: (Inaudible).

BUTCH LAMBERT: Yeah, in that area there should be some active mining. I thought we were---

ABBY TOMKIEWICZ: Yeah.

RITA BARRETT: I've got it.

BUTCH LAMBERT: Okay.

RITA BARRETT: We don't have it.

BUTCH LAMBERT: We thought you was just going to make us work for it.

RITA BARRETT: I apologize. We don't have what we normally provide to you all. But we will certainly get it and provide it after the hearing showing the coal.

JIM KAISER: Well, were all coal owners and operators notified of these hearings?

RITA BARRETT: Yes, they were.

JIM KAISER: Did any of them object?

RITA BARRETT: No.

JIM KAISER: Okay.

BUTCH LAMBERT: Good point, Mr. Kaiser. But that's just something that the Board asked to be included.

JIM KAISER: Oh, I understand. I understand that. I'm just trying to insure---

RITA BARRETT: And we have provided that previously as a courtesy just so you know where mining is. I apologize. We'll get that to you.

BUTCH LAMBERT: You have. We appreciate that.

RITA BARRETT: Even though it's not a requirement, we'll get it to you.

BUTCH LAMBERT: It's just a requirement that the Board would like to see it as an exhibit.

RITA BARRETT: Right.

BUTCH LAMBERT: Okay. Thank you. We appreciate that.

SHARON PIGEON: It can be a requirement. He can get an order for that.

JIM KAISER: Well, we've been doing it on force poolings, right?

RITA BARRETT: Yes. And we've been doing it on these previously.

JIM KAISER: And we do it on these too.

RITA BARRETT: Yeah.

BUTCH LAMBERT: Yeah. Yeah.

DONNIE RATLIFF: Yeah, I just suspected that you were right on top of us.

BUTCH LAMBERT: Donnie wanted to see where it was going to go.

DONNIE RATLIFF: If John Looney okay it, he can explain that to our engineers.

JIM KAISER: That's why I laughed when I asked that question then, isn't it?

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

MARY QUILLEN: Motion to approve with the understanding that the additional documentation requested will be submitted.

BRUCE PRATHER: Second.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff.

Thank you, group.

JIM KAISER: Thank you.

BUTCH LAMBERT: Calling docket item thirty. A petition from EQT Production Company for a modification

of the Nora Coalbed Gas Field to allow for one additional coalbed gas well to be drilled within the 58.77 acre Nora unit identified as BN-89, docket number VGOB-89-0126-0009-67. All parties wishing to testify, please come forward.

JIM KAISER: Jim Kaiser, Rita Barrett and Abby Tomkiewicz on behalf of EQT. Ms. Barrett, we'll start with you.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Have all oil, gas and coal owners been notified as required by statute?

A. Yes.

Q. And in this particular incidence, it's just one unit. Can you explain why we didn't put it in the other application?

A. I think we'd already applied for the other application when we decided to get this one.

Q. Okay. Well, that's a legitimate question.

A. I know.

Q. What...and we do have...in this particular unit, we do have the unknown and unlocateable heirs of Emory Clyde Presley?

A. That's correct.

Q. And so we did publish?

A. We did.

Q. Okay. And we published in the...where did we publish? We published in the Coalfield Progress?

A. Yes.

Q. Okay. And what is the status of the leasehold ownership within this unit?

A. There are some portions of this unit that require leasing and pooling of the unknown.

Q. Okay. So, we'll probably have scheduled a pooling for later on in the year?

A. That's correct.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

ABBY TOMKIEWICZ

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Tomkiewicz, if you would please go through your testimony again, I guess, in your packet.

A. Sure. Sorry, I didn't realize you had that one broken out from the other infills. Basically, it's the same thought as our other infills. We believe based on, you know, the production of our original wells and the infills that we've drilled that it would be a good use of our money to drill this infill. So, the first page AA goes through the production. Then our gross production is on BB showing our original wells and then the increase in production from our increased density wells. Then the last...the last page EE shows the where in the field the BN-89 lies in the eastern part of the field. So---.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: No. We'd ask, again, that the application be approved as submitted and, again, we'll get you the---

RITA BARRETT: The coal lease---

JIM KAISER: ---mine map for the area. We'll submit the application with that.

BUTCH LAMBERT: Thank you.

JIM KAISER: We'll probably have that to Mr. Asbury by what tomorrow or sometime this week? I don't want to put any pressure on you.

RITA BARRETT: Before the end of the week.

JIM KAISER: Before the end of the week, okay.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve with the additional documentation.

BRUCE PRATHER: Second.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff.

Thank you, Mr. Kaiser.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: Calling item thirty-one on the

docket. A petition from Range Resources-Pine Mountain, Inc. for establishment of a drilling unit and pooling of conventional well V-530229, docket number VGOB-10-0720-2767. All parties wishing to testify, please come forward.

PHIL HORN: Tim Scott is on his way here. He's not quite here. He should be here about 2:00. So, if you want to let GeoMet---

BUTCH LAMBERT: Okay, let's take a break.

PHIL HORN: Take a break, okay.

BUTCH LAMBERT: Let's take a break. About five minutes.

PHIL HORN: If he's not here, we'll let GeoMet go in front of us.

(Break.)

BUTCH LAMBERT: Okay. Calling item thirty-one on the docket is a petition from Range Resources-Pine Mountain, Inc. for the establishment of a drilling unit and pooling of conventional well unit V-530229, docket number VGOB-10-0720-2767. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

(Phil Horn and Gus Jansen are duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman.

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name, by whom you're employed and your job description?

A. My name is Phil Horn. I'm the land manager for Range Resources-Pine Mountain, Inc. and one of my job duties is getting wells drilled...cleared and drilled.

Q. Are you familiar with this application?

A. Yes, I am.

Q. And we're seeking to establish the unit and this is a pooling application as well, is that right?

A. That's correct.

Q. How many acres does this unit contain?

A. 112.69.

Q. And does Range Resources have drilling rights in the unit?

A. Yes, we do.

Q. Are there any parties respondent living on...listed on Exhibit B-3 who we should dismiss today?

A. No.

Q. Okay. What percentage of the unit does Pine Mountain have under lease?

A. 91.525%.

Q. And we had notice of this hearing, is that right?

A. That's correct.

Q. And how as that accomplished?

A. Notice was published in the Dickenson Star on June the 18th, 2010.

Q. And are there any unknown persons in this unit?

A. No, there are not.

Q. Okay. Are the last known address to those parties listed on Exhibit B-3?

A. That's correct.

Q. And we've filed our proof publication and our proof of mailing with the Board, is that right?

A. Yes, you have.

Q. Okay. Is Range Resources authorized to conduct business in the Commonwealth?

A. Yes, we are.

Q. And is there a blanket bond on file with the Commonwealth?

A. Yes, there is.

Q. Now, if you were to reach an agreement with the parties listed on Exhibit B-3, what would those terms be? What would you offer them?

A. Twenty-five dollars per acre for a five year paid up lease that provides for a one-eighth royalty.

Q. Okay. And do you think that's a reasonable 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 today?

A. 8.475%.

Q. And that...and we've provided a revised Exhibit B-3 to the Board, is that correct?

A. That's correct.

Q. Okay. And, again, we have no requirement for an escrow, is that right?

A. That's correct.

Q. Okay. Are you also requesting that Range Resources be named operator for this unit?

A. Yes, we are.

Q. Now, if...once the...if the Board approves our application and the order is entered, what would be the address to use for any elections that these parties would be offered?

A. It would Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212.

Q. And would that be the address for all communications?

A. That's correct.

TIM SCOTT: That's all I have for Mr. Horn.

PHIL HORN: Mr. Horn, on revised Exhibit B-3, I think I heard you say there were no unknowns.

TIM SCOTT: I think we need to---.

PHIL HORN: That's not correct. I don't know where that came from. We---.

TIM SCOTT: We have addresses for them, do we not?

PHIL HORN: We have addresses for them up in Illinois. The young man that did this, if you look on the first revised, he has 8.05125% and I don't know the unknown is a mistake. So, I need to file a corrected revised Exhibit B-3. I didn't notice that.

BUTCH LAMBERT: Okay.

PHIL HORN: I'm very sorry.

BUTCH LAMBERT: okay.

TIM SCOTT: So, again, your testimony, we have no unknowns in this unit?

PHIL HORN: That's correct.

TIM SCOTT: Okay.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Jansen, would you 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 manager of geology.

Q. Did you assist in the preparation of this application?

A. Yes, I did.

Q. And are you familiar with the total depth...the projected depth of this well?

A. Yes, I am.

Q. And what would that be?

A. 5,648 feet.

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

A. 350 million cubic feet of gas.

Q. And we've submitted an AFE to the Board, is that correct?

A. That is correct.

Q. And it does show the proposed well costs, is that right?

A. That is correct.

Q. What's the estimated dry hole costs?

A. \$251,037.

Q. And the completed well costs?

A. \$474,681.

Q. And, again, you testified that you assisted in the preparation of the AFE, is that right?

A. That is correct.

Q. Is there a cost for supervision on that AFE?

A. Yes, there is.

Q. Okay. And in your opinion, if this application is granted, would it prevent waste, promote conservation and protect correlative rights?

A. Yes, it would.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve pending the receipt of the revised B-3.

BRUCE PRATHER: Second.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff.

Calling item thirty-two on the docket, a petition from Range Resources-Pine Mountain, Inc. for establishment of a drilling unit and pooling of conventional well unit V-530212, docket number VGOB-10-0720-2768. All parties wishing to testify, please come forward.

TIM SCOTT: Again, Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, again, would you please state your name, by whom you're employed and your job description?

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc. and one of my job descriptions is to get well drilled and in the state of Virginia.

Q. And you're familiar with this application, is that right?

A. Yes, I am.

Q. So, we're seeking to establish a unit

and pool interest for V-530212, is that right?

A. That's correct.

Q. Does this unit contain a 112.69 acres?

A. Yes, it does.

Q. And does Range Resources have drilling rights in this unit?

A. Yes, we have.

Q. Do we have any people listed on Exhibit B-3 that we're going to dismiss today?

A. No, we do not.

Q. Okay. Have you attempted to reach an agreement with the parties listed on Exhibit B-3

A. Yes, we have.

Q. And what percentage does Range Resources currently have under lease?

A. 98.65%.

Q. And, again, we have provided notice of this hearing, is that right?

A. That's correct.

Q. And how was that accomplished?

A. It was published in the Dickenson Star on June the 18th, 2010.

Q. And we also sent everything out by certified mail, is that correct?

A. By certified mail also, yes.

Q. Okay. Are there any unknowns in this unit?

A. No, there are not.

Q. And have we filed our proof of publication and proof of mailing with the Board?

A. Yes, you have.

Q. Okay. Again, Range Resources is authorized to conduct business in the Commonwealth, is that right?

A. That's correct.

Q. And we have a blanket bond on file?

A. That's right.

Q. Now, if you were to reach an agreement with the parties listed on Exhibit B-3, what terms would you offer for a lease?

A. Twenty-five dollars per acre for a five year paid up lease that provides for a one-eighth royalty.

Q. And, again, you consider those to be a reasonable compensation for a lease in this area?

A. Yes, I do.

Q. Okay. What percentage of the oil and gas estate are we seeking to pool today?

A. 1.35%.

Q. And, again, we have no unknowns, is that right?

A. That's correct.

Q. And no requirement for an escrow, is that correct?

A. That's correct.

Q. Okay. So, you're seeking the Board to pool the interest leased on Exhibit B-3, is that right?

A. That's right.

Q. Now, if we were to...if the Board were to grant our application today and the election...the parties could make elections, the parties listed on Exhibit B-3, what address would the...where would they send those elections?

A. Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212.

Q. And that would be the address for all communications?

A. That's correct.

Q. And we're asking the Board to appoint Range Resources as the operator of this unit, is that right?

A. That's right.

TIM SCOTT: That's all I have for Mr. Horn.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

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. Are you familiar with this application?

A. Yes, I am.

Q. And are you familiar with the projected depth of this well?

A. Yes. The depth of this proposed well is 4,670 feet.

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

A. 350 million cubic feet of gas.

Q. And you have assisted in the preparation

of the AFE, is that right?

A. That is correct.

Q. So, you're familiar with the well costs?

A. Yes, I am.

Q. What's the estimated dry hole costs?

A. Estimated dry hole cost is \$234,903.

Q. And the completed well costs?

A. \$450,636.

Q. And does this AFE provide a charge for supervision?

A. Yes, it does.

Q. And in your opinion, if this application is granted, would it prevent waste, promote conservation and protect correlative rights?

A. Yes, it would.

TIM SCOTT: That's all I have for Mr. Jansen.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Lambert.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

TIM SCOTT: Thank you.

PHIL HORN: Thank you.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff.

(Off record.)

BUTCH LAMBERT: Okay, we're back on the record. Before I got items thirty-three, thirty-four and thirty-five, I'm going to ask Mr. Asbury to clear up the confusion with the docket numbers on our handouts.

DAVID ASBURY: Some of the...some of the first filed docket numbers in your summary they are crossed out. I'll use the example for docket thirty-three. It was a VGOB docket 09-0217-24601. When we searched our file that particular one had been withdrawn. So, when

this was refiled we gave it a new docket number. And it should be 10-0720-2774. So, the ones that are crossed out represents file numbers that had been petitioned before but that had been withdrawn---

DIANE DAVIS: Or something else.

DAVID ASBURY: ---or something else happened. For this particular one, 09-0217-2465, the original petition was withdrawn and it's not valid anymore after it's withdrawn. So, it should have had a new docket number. So, we've applied that new docket number and we will need to ask Mr. Mullins and GeoMet to use that new docket number going forward. We will use that number, which is 10-0720-2774 as the new docket number for item thirty-three. For item thirty-four, 09-1020-2610, the original petition was never filed. It had a...it had this number and it should have been...we reassigned a new number to it of 10-0720-2775. For item thirty-five, docket 06-1114-1804, the original petition expired and the docket number, of course, was no longer valid after it expired. This docket thirty-five has been assigned a new number 10-0720-2775. So---

MARY QUILLEN: 2776.

BRUCE PRATHER: 76.

DAVID ASBURY: 76, I'm sorry. Yes. But anyway

sequential. And we'll work with Mr. Mullins to correct those numbers and use those file numbers going forward.

BUTCH LAMBERT: Mr. Asbury, what about on the exhibits that the Board has and the applications? It has the...all of these have the old number on them. How will you track our application and our exhibits with the old numbers?

DAVID ASBURY: Two options would be either to ask GeoMet to refile those with the new docket items or we could just mark through those and use the new dockets. Just a line through them and put the new docket numbers above those.

BUTCH LAMBERT: Okay. Okay, that's seems like--
-.

DAVID ASBURY: If that's okay with the Board.

BUTCH LAMBERT: Yeah. I see no problem with that. I just don't want us to loose track of this as we move forward.

DAVID ASBURY: Right.

BUTCH LAMBERT: This is a pretty major change---
.

DAVID ASBURY: It is.

BUTCH LAMBERT: Of what we're doing. Okay.

MARY QUILLEN: So, you are going to just correct

the ones that you have? So, we won't have to request that they file the additional documentation with the correct numbers, correct?

DAVID ASBURY: We'll be glad to do that.

TOM MULLINS: We'll work with you any way we need to do.

DIANE DAVIS: This was more our fault than theirs in assigning---

BUTCH LAMBERT: But this is...I guess, this is something that we're correcting or you're correcting---

DIANE DAVIS: Right.

BUTCH LAMBERT: ---and not the applicant?

DAVID ASBURY: Yes. This internal corrections between the staff and the Board.

BUTCH LAMBERT: Okay. So, we'll take care of it on our part.

TOM MULLINS: That's fine. We're happy...it's on the computer. So, if you need something let us know.

BUTCH LAMBERT: Okay, great. All right, calling item thirty-three on the docket. It is a petition from GeoMet Operating Company, Inc. for repooling coalbed methane unit 279 VA YYY-36, docket number VGOB-10-0720-2774. All parties wishing to testify, please come forward.

TOM MULLINS: Representing GeoMet, my name is Tom Mullins from the Street Law Firm. With me today is Mr. Dallas Nestle with GeoMet and also Mr. Tim Blackburn, the geologist that works for GeoMet through his company.

(Dallas Nestle and Tim Blackburn are duly sworn.)

TOM MULLINS: Mr. Chairman, I need to make sure that I understand. We were approaching this sort of as a repooling because of mineral line and boundary line changes like we did the last time. I think you may have been absent at the last meeting. But, basically, we had Mr. Blackburn go through the plats that were handed out to explain why the mineral boundaries have changed...not changed. I guess, how we found them more accurately than we did before. If it's acceptable to the Board, we'll approach it the same way this time as we did that prior time unless there's some other issue that we need to address, if that's okay with the Board.

BUTCH LAMBERT: I'll rely upon Mr. Asbury and Ms. Quillen since I wasn't here last month that that's appropriate.

DAVID ASBURY: The testimony you gave the last night.

MARY QUILLEN: Yeah. Yeah.

TOM MULLINS: Okay.

TIM WESLEY BLACKBURN

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

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your full name?

MARY QUILLEN: We concur.

A. Tim Wesley Blackburn.

Q. What do you do for a living, sir?

A. I'm professional geologist and project manager for T Engineering as consultants for GeoMet.

Q. As part of your duties as a consultant geologist for GeoMet, do you and your office prepare the plats which are attached to the applications filed by GeoMet for pooling applications?

A. Yes.

Q. Okay. And you did that for unit YYY-36, is that correct?

A. Yes.

Q. And since that original preparation, you have discovered more information that has led you to

suggest to GeoMet that we needed to come back before this Board and advise the Board as to the change in the mineral boundary issue and for you to explain that?

A. That's correct.

Q. Would you do that?

A. Initially, we had based our mineral lines on several things. Largely, of course, deed references, existing mineral maps, mine maps, tax maps and so forth. As we discovered more and more of the survey monuments, we realized there was some, in most cases, very slight adjustments that needed to be done, but none the less adjustments. So, it's basically a refinement of survey data and map information.

Q. All right, sir. Now, you have prepared for the Board and we have handed out to the Board members a new set of plats and drawings, is that correct?

A. Yes.

Q. Could you start with the very first one? It looks like a well plat location plat. It should be on the top of everybody's handout. Explain what that shows.

A. Yes, we're showing, of course, the unit boundary...the unit boundary in the drilling window.

The mineral lines are show and the particular tract numbers for the map are also shown as well.

Q. All right, sir. And the Tract Number 1 is the LBR Holdings tract in this particular unit and Tract Number 2 is Pine Mountain Oil and Gas?

A. Yes.

Q. All right, sir. And the next plat is a topographic map. Could you explain to the Board what that is offered for?

A. Yes. As you said, a topographic map showing the unit and the well spot essentially.

Q. Is that to give the Board some idea as to the type of terrain that's being encountered in this unit?

A. Yes.

Q. The next plat shows some gridlines and is labeled "Jawbone Works". Of course, mine says, "shown in blue". My is black and white, unfortunately. And "Red Ash Works shown in Red".

A. Yes.

Q. Could you show your copy to the Board so they can see which one is red and which one is blue because I can't?

A. The primary concern for mining in this

well is the Jawbone seam. It's being mined actively by Jewell Smokeless. You can see...I'm not sure if you all have colored copies or not.

BUTCH LAMBERT: No.

Q. They do not. I don't either.

A. You can see the mining shown by the pillars left there and the projected mining is just the squares. So, this is the active mining down in this area. But we have coordinated with Jewell and have a well position, as you see on the map there.

Q. Is that to avoid those mine works?

A. It is.

Q. And we submitted a color copy to Mr. Asbury so that could be a better document in your alls files. In the next copy or the next plat on the next page, does that just show the Jawbone works?

A. It does. That's essentially a blow up of the same map.

Q. Now, the squares that are not...that don't have little squares inside of them, is that projected mine works?

A. That's projected mine works. And as you can see, we have the well located and the barrier block between these two panels here.

Q. All right, sir. And the next page is the Red Ash works?

A. It's the Red Ash works and there's no Red Ash mining in this vicinity. Therefore, it's pretty much blank.

Q. Okay. And the last one, could you---?

A. This is an exhibit showing the surrounding units relative to our proposed well so you can get an idea of the mineral ownership around this...around this unit.

MARY QUILLEN: We just need to identify these exhibits. You don't have them identified.

TOM MULLINS: The last time I got tongue tied. So, I will let...I will let anybody make a suggestion if they want to on how to number them.

MARY QUILLEN: And they're all double letters. So, starting with the well location plat is Exhibit AA. I guess the pooling plat...it says, "Attachment A". I guess, AA, that will be the attachment to it. Then the topographic will be BB. The topographic location within the mine works would be CC. The Jawbone works would be DD. The Red Ash works would be EE. The mineral ownership map would be FF. Does that work?

TOM MULLINS: That's the evidence that we have

for this repooling. That was the purpose of filing it, Mr. Chairman.

BUTCH LAMBERT: Mr. Mullins, just for the record, could you restate the percentages, again, so that we have them in the record?

TOM MULLINS: Sure. The percentages for the Tract Number 1 is 50.36% or 40.09 acres. For Tract identified on the plat as Number 2, Pine Mountain Oil and Gas, it is 49.64% or 39.52 acres.

BUTCH LAMBERT: Okay, thank you.

SHARON PIGEON: And that's the unleased interest, right?

TOM MULLINS: Yes, ma'am.

SHARON PIGEON: I mean, that's what we're really wanting to go back in the record. That has not changed since your original filing?

TOM MULLINS: Yes. Correct.

BUTCH LAMBERT: Mr. Blackburn, I have a question about your well location plat with the boundary lines. I think I heard you say that in doing your research you often times use tax maps.

TIM BLACKBURN: That is a rough reference. We do use mineral tax maps as a reference point, yes.

BUTCH LAMBERT: Can I ask? Do you often times

run into issues where those maps may not match what you have with your survey maps?

TIM BLACKBURN: Yes.

BUTCH LAMBERT: You're often...I mean, would you say occasionally, often or sometimes?

TIM BLACKBURN: I would have to say most of the time.

BUTCH LAMBERT: Most of the time, okay. Thank you. Any further questions from the Board?

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I noticed on your topo sheets here, you've got a gas well that's immediately west of the location, which is in your square. I just wondered, is that a plugged well or is that a conventional well or what is that?

TIM BLACKBURN: That is not a well. It's on the base topo map USGS background. We can't find it. Jewell hasn't been able to find it. Often times, I found that when these gas wells show up on the base USGS map someone has seen something in the field that looks like a gas well. My best guess is that it's probably a coal exploration bore hole and they had a casing sticking up. It wasn't a gas well to start with.

BRUCE PRATHER: A lot of times if they cut the foliage---.

TIM BLACKBURN: Yeah.

BRUCE PRATHER: ---they will make a gas well and it's nothing.

TIM BLACKBURN: But we have looked for that well and as far as I know, Jewell has looked for it. It's not...there's no trace of it.

BRUCE PRATHER: Okay. Okay.

BUTCH LAMBERT: Any further questions from the Board?

DAVID ASBURY: Mr. Chairman, I've got one question.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: The initial mining projections for Jewell Smokeless, they don't have any projections that they have shared as far as second mining or pillar or any of the boundary barrier area.

TIM BLACKBURN: They haven't shown us the plan on the pillaring yet. As a matter of a fact, we just...we've been moving this well a few feet to get it suitable for Jewell. But I do suspect there will be some pillaring in one of those panels, but they haven't shown us what...what the pillaring plans are going to be

yet.

DAVID ASBURY: But they would intend to leave the minimum barrier around the well?

TIM BLACKBURN: Right.

DAVID ASBURY: Okay. Thank you.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Mullins?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

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

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

TOM MULLINS: Thank you.

BUTCH LAMBERT: The next item on the docket is

item thirty-four. A petition from GeoMet Operating Company, Inc. for a repooling of coalbed methane unit 290 VA B-34, docket number VGOB-10-0720-2775. All parties wishing to testify, please come forward.

TOM MULLINS: Tom Mullins representing GeoMet, along with Dallas Nestle as the project manager for GeoMet.

TIM BLACKBURN: I'm Tim Blackburn for GeoMet.

BUTCH LAMBERT: You may proceed, Mr. Mullins.

TOM MULLINS: Thank you, Mr. Chairman. This is a similar situation.

TIM WESLEY BLACKBURN

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Blackburn, please state your full name.

A. Tim Wesley Blackburn.

Q. And, again, could you tell us what you do for a living?

A. I'm a professional geologist and project manager for T Engineering who are consultants for GeoMet.

Q. As part of your consultation with

GeoMet, did you...did your office prepare plats for filing with unit B-34 for GeoMet's application for pooling?

A. Yes.

Q. Since that original time, have you performed additional work and discovered that the mineral boundaries needed to be adjusted?

A. We have.

Q. And we've handed out to the Board a packet of information including a well location plat all the way through to a mineral ownership map. Are those the revised exhibits that you wish the Board to consider?

A. Yes.

Q. And do these reflect an adjustment to the boundary lines?

A. They do.

Q. All right, sir. If you could, please go through the plat, the first one, the well location plat that we will label as Exhibit AA, and explain to the Board what that is.

A. First of all, the initial submittal was based on, again, available information, deeds, mine maps, tax maps and so forth. In the meantime, we have

further refined these mineral lines by adjusting and we have discovered..rediscovered a couple of survey monuments over on the west side that caused a slight shift in the mineral line. See on the map, we have the ownership tract laid out with the percentages and acreages and the well spot.

Q. All right, sir. And are the new lines accurately depicted upon the well location plat, to the best of your knowledge and belief?

A. Yes.

Q. And the page behind that plat is the attachment breaking down the ownership interest by both percentage and acreage per tract, is that correct?

A. That's correct.

Q. All right, sir. The next exhibit, which we will refer to as BB, it appears to be a topographic map. Could you explain to the Board what that represents?

A. This, of course, is a topographic map for the unit boundary and the well spot shown, as well as a conventional well showing up in this unit.

Q. Okay. And the next page, which we will call CC indicating both the Jawbone works and the Red Ash works, and it's apparently supposed to be a colored

map. All I have is black and white. Could you show the Board a...do you have a color copy of that? If not, we handed one to Mr. Asbury, I believe.

A. I can. This map...this map shows the unit and the well spot in relationship to existing and abandoned Red Ash works, which if you're looking at the color copy it is red. If you're not, it's the one with the massive amount of mine workings in it. These are all abandoned works. Shown up in the corner is current mining in the Jawbone seam, which is active.

Q. The next page that says "Jawbone works as shown in the blue", which we will refer to as DD. Could you tell the Board what that shows?

A. At the time these were prepared, we're showing the individual unit in reference to the 290 well...well spot, which at that time there's no near...near future mining...mine works projected in that area.

Q. Okay. The next one we have is we'll reference as EE, which is labeled "Red Ash works". Could you tell the Board what that means?

A. This exhibit is merely a zoom up of the...one of the previous exhibits showing a closeup view of the Red Ash works in relation to the well.

Q. Is that one of the reasons the well spot was picked?

A. It is.

Q. And the last one we have, we'll reference as Exhibit FF and labeled as "Mineral Ownership Map". Again, could you advise the Board what that represents?

A. It shows the well spot and unit in relation to the surrounding units with mineral ownership.

Q. All right, sir. And is it your testimony before the Board that the maps, which are...have been tendered as Exhibits AA through FF truly and accurately represent the mineral boundary, to the best of your knowledge and belief?

A. Yes, sir.

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

BUTCH LAMBERT: Questions from the Board?

DONNIE RATLIFF: Mr. Chairman. Mr. Blackburn, on CC in the active works in the Jawbone, who is mining that?

TIM BLACKBURN: That is Jewell Smokeless.

DONNIE RATLIFF: Okay. And one Exhibit B, you've got LBR Holding, LLC with an asterisk and then

under it, you've got an asterisk that said licensee claimed. Licensee, what does that mean exactly?

TIM BLACKBURN: Which exhibit was that?

DONNIE RATLIFF: It's Exhibit B, behind the plat in the application. Are you just saying there's a conflict there or LBR Holding says it's leased.

TOM MULLINS: Are you talking about this?

DONNIE RATLIFF: No, the next page, Mr. Mullins.

MARY QUILLEN: It's the Exhibit B in the application.

TOM MULLINS: Oh, to the application.

DONNIE RATLIFF: Yes, Exhibit B in the application.

TOM MULLINS: This is a hold over from the litigation that we had, the Board may be aware of, with Island Creek and Consol. Island Creek and Consol wanted us to be sure we indicated on this exhibit that they had a coal lease on this property. So, that...that's why that's there. It's just to reflect that...it stemmed out of some litigation that is now resolved.

DONNIE RATLIFF: But everybody is in agreement? There's no---?

TOM MULLINS: Yes.

BUTCH LAMBERT: If Mr.---?

TOM MULLINS: We have a consent to stimulate.

BUTCH LAMBERT: If Mr. Swartz was here he would---?

TOM MULLINS: He would say he's the guy that made me do that.

BUTCH LAMBERT: Yeah, I remember. I remember.

SHARON PIGEON: Until you started doing that, he used to come and sit right there.

TOM MULLINS: That's correct.

MARY QUILLEN: He would have been looking over your shoulder.

TOM MULLINS: That is correct.

BUTCH LAMBERT: Yes, for the record, Mr. Mullins, could you please restate the percentages of leased and unleased for the record?

TOM MULLINS: You bet. Tract 1 indicated on the plat LBR Holdings has 76.71% of 61.5 acres. Tract Number 2 on the plat C. L. Ritter Lumber Company 4.67% of the unit or 3.74 acres. Tract Number 3 on the plat, LBR Holdings 18.01% of the unit or 14.44 acres. LBR Holdings Tract Number 36, which is indicated on the plat as Tract Number 4, has .61% or .49 acres of the unit.

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

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: On BB on showing that conventional well BU-35, I used my scale here and I find out that well is 220 feet from your prospective new location here. I just wondered, does that BU-255 does it have 7" casing or some casing that is cemented up through that formation so when you frac the coal in there you won't go up the (inaudible) of that well?

TIM BLACKBURN: Yes. That is a conventional Equitable well.

BRUCE PRATHER: It's cemented back to surface?

TIM BLACKBURN: Yes. It's cemented from the red rock basically back to surface.

BRUCE PRATHER: Okay. And the other question that I have is the Jawbone and Red Ash works are they at an outcrop here?

TIM BLACKBURN: No.

BRUCE PRATHER: I mean, it's...see, it looks like there's an outcrop because---

TIM BLACKBURN: No. In that unit, the Red Ash is about a 120 feet below creek level and the Jawbone is another 120 feet below that.

BRUCE PRATHER: Oh, okay.

TIM BLACKBURN: So, it doesn't outcrop up there.

BRUCE PRATHER: Yeah. They're just staying out of the drainage down there?

TIM BLACKBURN: Yeah.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any further questions?

KATIE DYE: I have a question, Mr. Chairman.

BUTCH LAMBERT: Mrs. Dye?

KATIE DYE: In looking at this plat, it says the area of the unit is 80.17 acres, but then when we look at the docket we see 79.61, more or less.

TOM MULLINS: You have to point me to where...I don't know that I see where you're saying the 79 is.

KATIE DYE: I was looking on our docket.

TOM MULLINS: Oh, I'm sorry.

BUTCH LAMBERT: It may be something that Mr. Asbury can answer for us.

SHARON PIGEON: We keep that a secret from you.

TOM MULLINS: That's okay. There's some things I don't want to know.

SHARON PIGEON: (Inaudible) responsible for everything.

DAVID ASBURY: Does your question go to acreage ownership? Is that what you're saying versus what we

have in the summary?

KATIE DYE: Well---.

BUTCH LAMBERT: Yes.

KATIE DYE: Yeah, I guess so because it says the area of the unit 80.17 acres. Then when you look at the docket, it says 79.61 plus or minus.

BUTCH LAMBERT: In our description on the docket that you give to the Board.

DAVID ASBURY: Is it revised?

DIANE DAVIS: I don't know. Mine don't say that. I guess, that's yours.

SHARON PIGEON: You stand alone.

DAVID ASBURY: I stand alone amongst all of the enemies.

TOM MULLINS: It looks like it.

MARY QUILLEN: It's in the summary---.

DIANE DAVIS: Right.

DAVID ASBURY: Yeah. Let me find it.

DIANE DAVIS: There it is.

MARY QUILLEN: ---of what we have.

DAVID ASBURY: Okay, the plat that we have is 80.17 acres. So, the 79.61 evidently is incorrect and I'll revise that.

BUTCH LAMBERT: The 79.61 is incorrect?

DAVID ASBURY: Yeah. The plat here is 80.17

BUTCH LAMBERT: Okay.

DAVID ASBURY: And I'll correct the other percentages as well.

BUTCH LAMBERT: Okay. Any further questions?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: There has been a motion and a second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

DONNIE RATLIFF: It's the same thing that's in the previous docket number. I bet it was copied down.

BUTCH LAMBERT: Yeah, that's what has happened.

DONNIE RATLIFF: Yeah.

BUTCH LAMBERT: The next item on the docket is a

petition from GeoMet Operating Company, Inc. for repooling of coalbed methane unit 433 VA C-34, docket number VGOB-10-0720-2776. All parties wishing to testify, please come forward.

TOM MULLINS: Tom Mullins representing GeoMet Operating Company, Inc. along with Dallas Nestle, project manager for the Pond Creek Project.

BUTCH LAMBERT: You may proceed, Mr. Mullins.

TOM MULLINS: Thank you.

TIM BLACKBURN: Tim Blackburn with GeoMet.

TIM WESLEY BLACKBURN

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Blackburn, would you please state your full name?

A. Tim Wesley Blackburn.

Q. What do you do for a living, sir?

A. Professional Geologist and Project Manager for T Engineering. We're consultants for GeoMet.

TOM MULLINS: And, Mr. Chairman, I'd like to incorporate his prior testimony as to his consultation work with GeoMet.

BUTCH LAMBERT: Accepted.

Q. Could we look at the well plat...the plat that we've handed out to the Board labeled "Well Plat Location", which we will refer to as Exhibit AA? Could you explain to the Board what that shows?

A. It shows, of course, the unit and the well spot and mineral lines. The initial application depiction of the mineral lines have been changed somewhat. This plat represents essentially the refinement of the mineral lines particularly this line in the northwest corner and this slightly right here. The lines changed only slightly, but with a refined survey, we feel this is the best depiction of the lines that we can get.

Q. And what new information did you have available to you that you did not have when you did the original plat?

A. Well, the original, of course, was based on deed descriptions, mines maps, tax assessment maps and things of that nature. What we were able to find was a couple of property monuments that are really not even on this plat but they affected both of these lines. It affected the position of this line and this corner. We were able to recover some of that monumentation.

Q. All right, sir. And the page behind the well plat location is the identifier of the owner of each one of the tracts listed on that plat along with their percentage ownership, is that correct?

A. That's correct.

Q. On Tract Number 1 on the plat, LBR Holdings owns 97.14% or 77.91 acres, is that correct?

A. Yes.

Q. Tract Number 2 as designated on the plat is another LBR Holdings tract, which constitutes 2.73% of the unit or 2.19 acres, is that correct?

A. Yes.

Q. And the Tract labeled Number 3 is a C. L. Ritter Lumber Company tract, which contains 0.13% or 0.10 acres of the unit, is that correct?

A. That's correct.

Q. All right, sir. Now, if we can go to the next plat, which is labeled "Topographic Location Map", which we will designate as Exhibit BB, could you explain to the Board what that shows?

A. Yes. It's a topographical map showing the unit, the drilling window and the well spot for well 433.

Q. All right, sir. And the next plat,

which we will reference as CC, labeled "Topographic Location with Mine Works, Jawbone and Red Ash".

A. This is a map showing both the Red Ash and the Jawbone works. In this case, the Red Ash is abandoned and also the Jawbone shown on the...in blue or in the southeast corner, that's also abandoned mine works.

Q. All right, sir. And is one of the reasons for the proposed well spot or the approximate location of the well spot is to avoid some of those mine workings?

A. It is. But if we could move on to the next exhibit, which is---

Q. It would be DD and is labeled as the "Red Ash Works as shown in red"

A. Yeah, we can cover that. But I would like to come back to the Jawbone exhibit.

Q. Okay.

A. DD is just a blow up of the Red Ash mining. Of course, it's abandoned.

Q. Okay. And the next one is EE, which is...could you explain what that is?

A. This is the...a blow up of the Jawbone works. As you can see, this...at this particular time,

it's blank. However, I would point to the Board that very recently Jewell Smokeless has provided us with long range projections in this unit and that's affecting the well position. But, again, these are long...long range projections and they change. So, that's influencing where we're putting this well.

Q. Okay. And last one we have and we'll label FF and it states as "Mineral Ownership Map". Could you state for the record what that shows?

A. It shows the subjected unit with the well spot as well as the surrounding unit sand mineral boundaries and ownership.

Q. All right, sir. And is it your testimony to the Board that these Exhibits AA through FF accurately represent the mineral boundary lines to the best of your knowledge and belief for this unit?

A. Yes, sir.

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

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Mr.---

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: -Chairman, just one clarification. On DD, you did say that the Red Ash was abandoned?

TIM BLACKBURN: Yes.

MARY QUILLEN: Okay. And that the projected mining plan for Jewell Smokeless would be to the east?

TIM BLACKBURN: Well, the...are you talking about this exhibit?

MARY QUILLEN: Uh-huh.

TIM BLACKBURN: The...do you have color copy?

MARY QUILLEN: No.

TIM BLACKBURN: Okay. The---.

MARY QUILLEN: But I can see the difference in---.

TIM BLACKBURN: Yeah. The massive amount of work that you see here in the Jawbone is abandoned. And as you see down in the southeast corner, you can probably tell it's a different shade, but it's blue on the colored copy.

MARY QUILLEN: Uh-huh.

TIM BLACKBURN: Those are also abandoned Jawbone works.

MARY QUILLEN: Uh-huh. Okay. So, it will be between those...the Red Ash and Jawbone abandoned works is where they're projecting?

TIM BLACKBURN: The proposed mining?

MARY QUILLEN: Yeah, proposed---.

TIM BLACKBURN: No, it will be in the Jawbone.

MARY QUILLEN: Oh, it will be in the Jawbone?

TIM BLACKBURN: Right. And these are very recent projections. As recent as yesterday.

MARY QUILLEN: So, it's far enough away that it's not going to be...the well is not going to interfere with the mining?

TIM BLACKBURN: No, no. That's what we have been negotiating.

MARY QUILLEN: Okay. Okay. I just wanted to clarify that. I thought that's what you said.

BUTCH LAMBERT: Any further questions?

DAVID ASBURY: I have a question.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Just before drilling, it would be good to confer with Jewell Smokeless about any impounding water that may be on the perimeter of that return.

TIM BLACKBURN: That is a...definitely a concern and we're adapting our casing plan to seal the Red Ash water runoff.

DAVID ASBURY: I'm not sure of the strike or dip of the seam in that particular area, but that could be a concern for your drilling operations.

TIM BLACKBURN: Okay.

BUTCH LAMBERT: Anything further, Mr. Mullins?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second.

Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins.

TOM MULLINS: Thank you.

SHARON PIGEON: Your percentages of lease and unleased didn't change, correct?

TOM MULLINS: Right.

BUTCH LAMBERT: The last item on our docket is the Board will review and approve the minutes from the July meeting. I hope everyone had a chance to review those minutes. Are there any additions or deletions?

(No audible response.)

BUTCH LAMBERT: Do I have a motion to approve the minutes?

KATIE DYE: A motion to approve.

MARY QUILLEN: Second.

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

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, ladies and gentlemen. We appreciate your time this morning.

STATE OF VIRGINIA:

COUNTY OF BUCHANAN:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 13th day of September, 2010.

NOTARY PUBLIC

My commission expires: August 31, 2013.