

1 VIRGINIA:

2 VIRGINIA GAS AND OIL BOARD HEARING

3  
4  
5 AUGUST 16, 2011

6 APPEARANCES:

7 **BOARD MEMBERS:**

8 MARY QUILLEN - PUBLIC MEMBER

9 BILL HARRIS - PUBLIC MEMBER AND SUBSTITUTE CHAIRMAN

10 KATIE DYE - PUBLIC MEMBER

11 BRUCE PRATER - GAS REPRESENTATIVE

12 DONNIE RATLIFF - COAL REPRESENTATIVE

13  
14 RICK COOPER- ACTING DIRECTOR OF THE DIVISION OF GAS & OIL  
AND PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

15 DIANE DAVIS - STAFF MEMBER OF THE DGO

16 SHARON PIGEON - SR. ASSISTANT ATTORNEY GENERAL

17  
18 MICHELLE STREET  
COURT REPORTING, LLC  
P. O. BOX 1325  
19 GRUNDY, VIRGINIA 24614  
(276) 971-2757  
20  
21  
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1           BILL HARRIS: Good morning. I'm Bill Harris. I'll be  
2 chairing today's meeting of the Virginia Gas and Oil Board.  
3 I'd like the other Board members to introduce themselves  
4 starting with Ms. Dye.

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

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

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

11           DONNIE RATLIFF: Donnie Ratliff representing coal.

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

14           MARY QUILLEN: Mary Quillen, a public member.

15           BILL HARRIS: Thank you. Just a couple of comments  
16 before we begin. Again, we are working on a different  
17 speaker system. So, hopefully, the folks in the audience  
18 will be able to hear us a little better than you have in  
19 the past. This is still somewhat experimental. So, we'll  
20 probably refine this as we go. Just a couple of reminders.  
21 We would ask you to turn cell phones, computers and other  
22 electronic devices or put them on vibrate so that the  
23 noises or whatnot will not interfere with our system.  
24 Also, we would ask you to refrain from excessive  
25

1 conversation because we actually can pick that up on our  
2 system as well. So, we'll get started with the agenda.  
3 The first item, the Board will receive public comments. We  
4 do have a list here. Sara Day is listed first, if you  
5 would like to come forward.

6 SARA DAY: My name is Sara Day. I'm here on behalf of  
7 the Horn family estate and the O. H. Keen. I was told if I  
8 signed a 50/50 I would be paid within six months. Well,  
9 I've been paid part on the Horn estate and nothing on O. H.  
10 Keen. I signed it in November of 2009. So, I'd like to  
11 have some answers why that I've not been...the rest paid  
12 for the Horn heirs...on the Linkous Horn and O. H. Keen.  
13 Nothing has been paid on it. So, it will soon be two  
14 years. So, I'd just like to have some answers to see when  
15 it's going to be settled, if I could.

16 BILL HARRIS: Thank you. As you know, this is a comment  
17 time and not actually a question and answer time. But---

18 SARA DAY: I know, but I've---

19 BILL HARRIS: ---our staff will check on that.

20 SARA DAY: ---called...I've called Mr. Asbury...Mr.  
21 Asbury and I've never got back...he has never got back.  
22 So, I didn't know he had left. So, I'd thought well I'd go  
23 to the Board and see what's going on...if I can find out  
24 what's going on.

25

1        BILL HARRIS: We...we'll do what we can to find out  
2 about that.

3        SARA DAY: Yes.

4        BILL HARRIS: Okay. Thank you very much.

5        SARA DAY: Thank you.

6        BILL HARRIS: Nora Fuller. Is that Noah? I guess, it  
7 is. Sorry.

8        NOAH FULLER: Noah. I may be on a different section.  
9 It may be question and answer maybe. They're going to  
10 drill a well in behind our home and we have surface...you  
11 know, we have well water...you know, spring water is all we  
12 had. We just had a concern about our water if they was to  
13 happen to sink it or something.

14        BILL HARRIS: Again, we...this isn't a question and  
15 answer as such. However, if you will give the information  
16 to Mr. Cooper it is possible that he can find out...do you  
17 know which well it is or any of the---?

18        NOAH FULLER: Yes. Yes. We've got...I've got the  
19 paperwork here on it.

20        BILL HARRIS: If you will do that either during a break  
21 or right after the meeting, we will, I guess, have someone  
22 check that and get back with you.

23        NOAH FULLER: Okay.

24        BILL HARRIS: That's about as much as I can tell you at  
25 the moment.

1        NOAH FULLER: Well, my brother has probably got the same  
2 comments to make because he lives right beside me.

3        BILL HARRIS: Yes.

4        NOAH FULLER: So, his name is Danny. He's on there. He  
5 probably won't want to talk.

6        BILL HARRIS: Was the well recently drilled or you just  
7 have some concerns?

8        NOAH FULLER: They...they just put in for a permit to  
9 drill the well.

10       BILL HARRIS: And you have some concerns?

11       NOAH FULLER: It hasn't been approved yet.

12       BILL HARRIS: Okay. Okay.

13       NOAH FULLER: All right.

14       BILL HARRIS: Thank you then. Donnie Fuller. I believe  
15 that's Donnie.

16       DONNIE FULLER: I here about the same thing.

17       BILL HARRIS: So, you're going to...okay, fine. He has  
18 indicated that he has the same concerns. That's about the  
19 same well?

20       DONNIE FULLER: Yes.

21       BILL HARRIS: Yes. Okay, thank you very much. Mitchell  
22 Counts.

23       MITCHELL COUNTS: My name is Mitchell Counts. I'm here  
24 on myself...for myself. The comments that I would like to  
25 make would be that...the same thing that I've said every

1 time that I've been here that the gas was taken off of my  
2 property. As far as I'm concerned, it was stolen because  
3 when you take something without someone's permission you  
4 steal it. With that thought, nobody has tried to  
5 compensate me for any of the gas. Nobody has really even  
6 made any contact with me other than to send me...each year  
7 send me a folder with my name on it telling me that I have  
8 money in escrow, but I can't...there doesn't seem like  
9 there's any way to get it without hiring a lawyer. I don't  
10 think that's right. I don't think I ought to have to hire  
11 a lawyer to retrieve something that was stolen from me or  
12 to get my money for that. I've talked to the Board or I've  
13 tried to make appointments with them. I was told over the  
14 telephone that I had checks wrote out and they never came  
15 or was told a day later that I didn't have them. I don't  
16 know the persons I talked to, but that doesn't matter.  
17 I've had lawyers to tell me that for 33% of it they would  
18 get me a 100%. The coal companies offered me splits. A  
19 guy offered to buy my interest in all of the gas that will  
20 come from the well plus pay me 85% of what I've got. This  
21 is...it seems like it's confusing. I know the gas is mine.  
22 I know it was taken. I know it's still coming out of the  
23 well. I'm getting old. I would like to be paid for what  
24 was mine. That's the only comment that I've got.

25 BILL HARRIS: Thank you, sir. Bobby Blankenship.

1           BOBBY BLANKENSHIP: I'm Bobby Blankenship. I've got the  
2 last wells that I was drilled in this section that's  
3 showing all of these maps here. I too am not getting paid  
4 for them and was promised this in the beginning. I'm here  
5 to put on the record that CNX Gas will put nothing else on  
6 my property period what time there are. We've got some  
7 other disputes. A well up there was not producing because  
8 they can't get all the water out of it. They've whole lot  
9 destroyed my property and they won't come back and fix it.  
10 They won't reclaim the mines in there, which creates a  
11 danger for my family down the road. If the water builds up  
12 and it blows out it's just not good. But I mainly want to  
13 be over here to see what CNX is doing. As long as they  
14 don't have to get another contract through there and if  
15 they need something else on my property tell them to lease  
16 it from Bull Creek Coal. I thank you.

17           BILL HARRIS: Thank you for your comments. Jerry  
18 Blankenship.

19           JERRY BLANKENSHIP: My name is Jerry Blankenship. I  
20 personally feel like that CNX, Equitable, Pine Mountain,  
21 Range Resources and all of these companies have stolen  
22 enough. And that's what I said, you're stealing it. If  
23 you, the Oil and Gas Board, help them in anyway to extend  
24 their privileges to drill more wells or do whatever to  
25 steal people's gas, it would serve you right that if

1 someday down the road some coal company or gas company  
2 would come along and steal everything that your children or  
3 grandchildren owned. Thank you.

4 (Applause.)

5 BILL HARRIS: Okay. We'll close the public comment  
6 section. We'll move on to item number two. The Board on  
7 its own motion will consider a proposal from the horizontal  
8 drilling committee established by the Board for an order  
9 establishing field rules for horizontal drilling in  
10 Southwest Virginia. The docket number VGOB-11-0816-2986.  
11 We'd ask all persons who wish to speak to that to come  
12 forward. I think, Mr. Prather, you were in charge of that  
13 committee. I think you have some comments.

14 BRUCE PRATHER: Okay. I'd like to take this opportunity  
15 to thank the committee. We've had three or four committee  
16 meetings. Each one of them has been refined down a little  
17 more of these field rules. At this time, I'd like to thank  
18 the committee for their advice, participation and the  
19 preparation of these new field rules. In particular, I'd  
20 like to thank you Mr. Gus Jansen of Range Resources-Pine  
21 Mountain for his leadership in the industry for the  
22 committee. As many (inaudible) provisions that has been  
23 enhanced (inaudible). At this time, I would like to invite  
24 all members of the committee present in the building to be  
25 seated at the speakers platform for a questioning and

1 answering session after the presentation by Mr. Jansen.  
2 Members of the committee are Mr. James Lovett, Mr. James E.  
3 Kaiser, Mr. Gus Jansen, Ms. Becky Heflin, Mr. Ian Lucas,  
4 Mr. Travis Elkins, Mr. Lars Albertson, Mr. Taylor Vactor,  
5 Mr. Thomas Pruitt, Ms. Catherine Jewell and Mr. Dennis  
6 Willis. The two Board members that were on this committee  
7 was...I was the Chairman and Mary Quillen was a very able  
8 assistant on this. So, without further ado, I'd like to  
9 introduce Gus Jansen and he will present a power point  
10 presentation for the Board.

11 GUS JANSEN: Good morning to the Board members. Again,  
12 my name is Gus Jansen. I'm with Range Resources-Pine  
13 Mountain, Inc. I've been delegated to present to the Board  
14 today the findings of the committee. Mr. Prather has  
15 acknowledge the committee members. I've got their names  
16 again up on the screen here. This committee was composed  
17 of public members, as well as industry members, the  
18 Virginia Gas and Oil Board members and also the Virginia  
19 Oil and Gas Association. We also had several technical  
20 advisors that met with us through the committee meetings  
21 that provided input for technical considerations that were  
22 important in developing the system that we've put together  
23 here today that we will go through in this proposal. This  
24 was a good strong group with good backgrounds and practical  
25 experience. Hopefully, many of these people here will be

1 available to answer any questions that we have as we go  
2 through this. Again, on the Board's motion that this  
3 committee was charged with the following items: To  
4 establish these guidelines for forming horizontal units.  
5 To emphasize to the Board that this was a very complex  
6 issue and a lot of technology is rapidly evolving around  
7 the horizontal drilling. The industry has been bring  
8 multiple variations of the provisional concepts to the  
9 Board and that was one of the reasons that this committee  
10 was formed to try to hopefully standardize that. Again,  
11 there are many opportunities in gas fields in Virginia with  
12 varied geological conditions and multiple target  
13 formations, which will be discussed today. Hopefully,  
14 we're going to put forth a reasonable proposal that will  
15 continue to evolve over time as the technology advances  
16 also. To sort of compare these to same sort of field rules  
17 that have been established for CBM fields in the past and  
18 moving forward to get something similar in place for that.  
19 Also, there are some...we all are aware of some of the  
20 shortcomings with our statewide spacing in the circular  
21 units and hopefully this system will help eliminate those  
22 type of issues from coming up in the future also.

23 As we go through this presentation, there will be two  
24 key concepts. I want to make sure that we all have an  
25 understanding that the Board addressed. One is to define

1 the pool that we are associating these rules with today.  
2 Then also go through how a unit is going to be formed and  
3 what rules will be associated with that. A handout to the  
4 Board, this presentation that you're seeing today on the  
5 screen, as well as a draft proposal, which incorporates  
6 those field rules, I won't go through and read the whole  
7 draft document verbatim. The Board has had that and has  
8 looked at that hopefully it has been just a few minor  
9 modifications and some of the wording to that since that  
10 original proposal. Hopefully, as we go through this  
11 presentation it will maybe clear up any questions that you  
12 do have and feel free to ask questions at any point in time  
13 that you have here.

14 Again, this process will be developed to allow the  
15 establishment of these horizontal units as a part of the  
16 DGO permitting process. But it does not replace any of the  
17 Board's authority or oversight regarding (inaudible) or any  
18 other specific field rules that may need to be changed by  
19 the Board. Those would still have to come before the Board  
20 in the future if there are any other issues there. As the  
21 Board set out to do its work, we considered several  
22 regulatory considerations. Again, we need to stay within  
23 the constraints of the Board's authority for anything we  
24 came up with for recommendation to the Board. We were also  
25 directed by the Board's mission statement, and some of

1 those things are set right here on this slide, you know, to  
2 promote the safe and the gas resource and prevent waste.  
3 We want to protect correlative rights. We want to ensure  
4 the coal...recovery of coal and other minerals. We want to  
5 take into account any drilling technology and potential  
6 emergency advancements that have come forward over time.  
7 Those are all key components of putting together this  
8 recommendation.

9       There are several technical considerations and there's  
10 a lot of discussion that went on inside the committee  
11 meetings to develop this process. A lot of these things  
12 I've listed up here, geology, mapping, and reservoir  
13 engineering, horizontal well drilling and the others. I'll  
14 go through these just real briefly to give you a feel for  
15 some of the discussion that went on and the basis for this  
16 process that was come up with. Starting with the geology,  
17 in Southwest Virginia and statewide there are very many  
18 complex and various geologic settings in different areas.  
19 You know, a lot of the formations that are producing gas  
20 and have produced gas in the past are going to be related  
21 to the formation structure, their natural fracturing such  
22 the Devonian shale which has been a major target down in  
23 the Southwest Virginia. There are other factors that could  
24 be also considered in which orientation that you want to  
25 drill your well on, the structures and those type of

1 things. Your geologic deposition of the formation can also  
2 have an impact on the formation's permeability, porosity  
3 and those type of characteristics would again have an  
4 impact on how you would want to pursue development through  
5 a horizontal drilling technique. So, again, we have gas  
6 exploration in many locations in the state. It is  
7 anticipated this will continue with the technology  
8 advancements and the growing industry in our country. You  
9 will see this happening in other parts of the state too.  
10 So, we want to take all of those into consideration.

11 On the mapping side, there has been significant  
12 advancements in mapping. If any of you all are familiar  
13 with the original mapping that was set up, we set up the  
14 CBM grids. You know, they were basically hand draw sort of  
15 grids. We've advanced now to CAD and GIS and a lot of  
16 those things. We want to take advantage of this current  
17 technology and the best engineering practices that are  
18 available to us today to set up this. We thought it was  
19 very important that a visual representation be available  
20 for the regulatory review and also for the public's  
21 understanding of what goes on with these horizontal units.

22 On the reservoir engineering side, we've reviewed a lot  
23 a historic data related to vertical wells and existing  
24 horizontal wells that have been drilled to the current  
25 date. We're considering these current practices and these

1 emerging technologies again and the future developments  
2 that we sort see out on the horizon. We've looked a lot of  
3 concepts related to the well drainage based on these  
4 accepted regional studies that have gone on in other states  
5 and some of the studies that some our (inaudible) has done  
6 in Virginia also. We agreed that preferred concept of an  
7 elipsorb around the lateral is an original way to define  
8 the basic drainage of the horizontal lateral. That will be  
9 a key component of developing these horizontal units which  
10 will touch on to in a little more detail later. Again,  
11 the...we relate these concepts to what has been done in  
12 other states. We've sort of looked at what was going on in  
13 Kentucky, which has a lot of horizontal development. Those  
14 that are familiar and not familiar there are...the  
15 horizontal units are basically just like I said an elipsorb  
16 or a cigar shape around a lateral (inaudible) horizontal  
17 that defines its unit as a Marcellus shale as a unitization  
18 type of concept by the property holdings they have up there  
19 and their wells are within that. So, there's lots of other  
20 ways to do this. This is not the only way to do it. We  
21 were again trying to focus on what was the best thing to do  
22 in Virginia and our situation here and those came into  
23 play. But we did want to make mention that we have looked  
24 at some of these other concepts that are out there.

25

1           Again, we looked at some of the horizontal well  
2 drilling itself and again this application is relatively  
3 new to Virginia. I think the first wells were drilled in  
4 2007 and we've continued year after year to continue to  
5 study this and come up with different ways to do this  
6 drilling and improve those things. We have a little  
7 different situation in Southwest Virginia where we have a  
8 low pressure regime and we're able to drill on air for the  
9 most part, which is a completely different concept in what  
10 maybe they're doing up north in other areas and that was a  
11 key component that we want to take into account. We also  
12 understood that there were other regimes in other parts of  
13 the state that may be done different. But again we wanted  
14 to take all of those things into consideration.

15           And again I think as I said before these drilling  
16 techniques are going to continue to evolve over time  
17 with...you're going to get better at it. You're going to  
18 get more expertise. You're going to get more technology to  
19 come along. The same sort of thing with the well  
20 completion itself, they're continuing to evolve. The  
21 industry has tried several different stimulation methods to  
22 date in the different formations that have been drilled. I  
23 think we're getting...we've got a reasonable sampling of  
24 drilling to indicate the viability of development of these  
25 formations to horizontal drilling and to continue this

1 process into the future. These production results will  
2 ultimately drive this (inaudible) of the well spacing and  
3 the stimulation techniques that are used are going to be  
4 the components that will make that work in the future.  
5 Again, it's the industries goal is to maximize this  
6 resource development. We want to not leave any stranded  
7 acreage and not waste any of the resources out there that  
8 can be obtained.

9 We've talked about a lot of the technology advancements  
10 with the drilling and mapping and all of those things. We  
11 won't go any further there. Again, we had some discussion  
12 about the current provisional unit constraints. This  
13 initial process was a reasonable approach early on to set  
14 up a process to test this concept for horizontal drilling  
15 in Virginia. We've seen some things that have over time  
16 the problems that have arisen from that and we've seen the  
17 deed for 18unitization and wanted to look at that. So,  
18 there are shortcomings with that and we'll discuss those in  
19 a little bit more detail also. Again, testing what other  
20 states are doing. Again, they all have merit, but they  
21 also have their problems related to what we want to do in  
22 Virginia also.

23 So, again, to summarize all of this, it's the  
24 committee's goal to lay a framework to evolve with this  
25 future activity. We believe this process will continue to

1 evolve and there may be times where the Board will want to  
2 look at some parts of it and make changes if they deem  
3 necessary. But we have to have a starting place and that's  
4 so of where we're at today.

5 As I mentioned before, there's a couple key concepts.  
6 A pool definition was the first thing that we considered.  
7 Again, this was the first step in this process. There  
8 could be other pools that will be identified in the future  
9 and in other parts of the state. We talked about the  
10 complex geology and the potential for gas development in  
11 other locations. The committee sort of homed in at this  
12 point in time to an area within Southwest Virginia to  
13 define this initial pool which has similar geologic  
14 characteristics, it has some historical production and  
15 makes sense to let's see how this is going to work going  
16 forward and not try to look at the whole state at this  
17 point in time. We felt like that was a reasonable  
18 recommendation to the Board at this point in time.

19 Again, these units as we go through this system, you'll  
20 see that other units can be developed over similar pools in  
21 other parts of the state in a consistent manner with this  
22 proposal. Again, we just sort of came up with a naming  
23 convention for this first pool. The area outlined in  
24 yellow has been termed the SWVH-1 Pool area. That was sort  
25 of the first thing that we needed to get accomplished.

1           The next part is dealing with the drilling unit system  
2 itself. Here, again, we want to develop a system that  
3 would define with these horizontal drilling units. We want  
4 to accommodate multiple formations in the coals that are  
5 found in Southwest Virginia. We want to minimize the  
6 potential for stranded resources and, again, propose a  
7 system that allows for systematic construction of these  
8 units as well as this SWVH-1 Pool area and it would also be  
9 applied statewide later on.

10           So next we sort of got to a concept and we worked very  
11 closely with the DGO staff to develop this. This was  
12 their...something that we...some terms here that are coming  
13 out. We just termed this the horizontal drilling region.  
14 This is the basis for our mapping system. So, we lay out  
15 each of these big blocks to sort of identify areas that  
16 could come up with a nomenclature and it would also be  
17 something that we could carry forward into the state as  
18 other pools were developed and those type of things to  
19 accommodate other areas for horizontal drilling if the need  
20 arises and that way we'd have some standardization of this.  
21 It also allows for digital mapping to allow for some  
22 accuracy standardization. These are recognized standards  
23 of what DGO is using in that 83 projection. These could be  
24 transformed into any other mapping vehicle if somebody else  
25 needed to visualize what's going on in Virginia and other

1 parts of the state or wherever in other parts of the  
2 country they will be able to do that. Again, this is to  
3 provide the basic structure for this creation of this  
4 statewide system. The mapping that we developed here,  
5 we're going to make available to the DGO staff to have in  
6 there in their mapping system and we won't have to recreate  
7 that well that we've already done and hopefully that will  
8 give them a good starting point and it can save some costs  
9 on that side of it also.

10 The next concept I just want to sort of talk about a  
11 little bit was this 28 acre base grid. Again, this base  
12 grid is tied back to their drilling regions. We had a lot  
13 of discussion. Again, I want emphasize this terminology.  
14 You're going to see the pool, these drilling regions, base  
15 grids and then ultimately we'll get to the drilling unit  
16 itself. These base grids will be the basic building blocks  
17 for the drilling units. We looked at a lot different sizes  
18 of how to size these units and we kept coming back to the  
19 smaller the actual grid was the most effective way to  
20 define the unit. The bigger the grid that you sort of  
21 built everything from ended up getting included in areas in  
22 units that were really too far away from the drilling. We  
23 didn't really think the well...the drilling was impacting  
24 depending on what orientation we were drilling in and what  
25 formation you may be drilling. So, again, we sort of set

1 on this 20 acre grid, you know. In a perfect world, a one  
2 acre grid would probably be the best thing, but that's sort  
3 of unmanageable over time. So, we came with this drilling  
4 region. Each one of these regions is proposed at 5 million  
5 acres and 250,000 20 acre grids. So, that's a lot of  
6 little grids to sort of keep up with. But we've come up  
7 with a naming convention so that can be incorporated into  
8 the well plat into the unit so there's always a way to know  
9 where you're at. We sort of backed up to each of these  
10 regions. In the naming convention that we'll see later on,  
11 we've sort of laddered them. So, if you had a little 20  
12 acre grid that had a nomenclature A associated with it, you  
13 knew you were in some part of the state and those type of  
14 things. So, that was...that was helpful for the DGO to be  
15 able to track where these things were at and to be able to  
16 drill down into where that actual little 20 acre grid is  
17 that's associated with the unit.

18 Next, I've got a little zoomed view of each of these  
19 little 20 acre grids, you can sort of see them on an  
20 individual basis. The grid dimensions are 938 feet square  
21 with a diagonal leg of 320 feet. You can sort see the  
22 naming convention at this point, it was based on the  
23 drilling region area and letter designation A, B, C or D  
24 and also the rows and columns. So, you can go over on each  
25 of these regions and count down, you know, you're on a roll

1 of 250 or you're column 417, you could pinpoint that exact  
2 20 acre grid and be able to tie that back to where you're  
3 at in whatever part of the state. Each of naming grids  
4 carrying across into the other regions. So, you could be a  
5 B and also have a B roll 251 column, B58, for example. So,  
6 they carry across and sort of become standardized that way.  
7 Is there a question before going forward?

8 DONNIE RATLIFF: Mr. Chairman.

9 BILL HARRIS: Yes. Go ahead.

10 DONNIE RATLIFF: Is 938 X 938 20 acres? Is that how  
11 that number came up?

12 GUS JANSEN: Yes. That's rounded up just a little bit.

13 DONNIE RATLIFF: Rather than having...I wouldn't on the  
14 committee and you've probably already talked about this.  
15 But rather than have an overlay, why would you just have  
16 four smaller areas within one unit that we already had so  
17 that we don't have...? This is going to be real hard to  
18 explain when you---

19 GUS JANSEN: I understand. Part of that issue is you  
20 can't go from a...we've got...are you talking about like a  
21 60 acre CBM grid or an 80 acre grid or a---?

22 DONNIE RATLIFF: If you go from the Oakwood Field to  
23 Middle Ridge?

24 GUS JANSEN: That was one issue if you have different  
25 grid sizes already in place there and you really can't go

1 from a 40 acre...or a 60 acre square down to a 20 acre  
2 square and fit inside those perfectly. So, you're going to  
3 have some overlap no matter what you do with those other  
4 CBM grids. So, this concept sort of on a horizontal side  
5 will stand on its own. It really won't have any  
6 relationship with existing CBM grids. It was also  
7 developed so we could cover the whole state. To do that,  
8 we needed to include everything down...all the way down at  
9 the tip of Lee County all the way to the coast of Virginia  
10 and north south. So, we sort of had to redo the whole  
11 thing. At the end of the day, our mapping system with a  
12 grid it didn't make sense to just pick one point somewhere  
13 in the center and try to build from that because nothing  
14 would ever match up that way either. So, we sort of had to  
15 start from scratch to get to something that was applicable  
16 statewide. If the CBM grid had been developed on a  
17 statewide basis, we wouldn't have those issues today either  
18 but they were obviously formed associated with their pools  
19 just like we're associating our grids with the pools that  
20 are going to be developed for horizontal drilling. It was  
21 a long answer. Hopefully, that sort of got the basis of  
22 where the committee was trying to get there.

23 DONNIE RATLIFF: I understand what you're doing. I  
24 just...when a situation arises that we have to explain  
25 because a particular person may own something in a

1 particular unit in the Middle Ridge units, for example. I  
2 can see this leaving him out because of the location on  
3 where his property boundary is.

4 GUS JANSEN: Well, as we go through the rest of the  
5 proposal maybe it will become a little more clearer to you  
6 on how it's going to work.

7 DONNIE RATLIFF: Okay.

8 GUS JANSEN: Again, this is sort just...I'm building the  
9 basis up to get to the unit itself.

10 DONNIE RATLIFF: Okay.

11 BILL HARRIS: Excuse me, Gus, Bruce, did you have a  
12 comment?

13 BRUCE PRATHER: Yeah. The reason we...we started out  
14 original with the 320 provisionals. Basically, what it  
15 amounted to we kept paring it down. We finally got to the  
16 20 acres. The 20 acres gives the industry more flexibility  
17 in where they put these wells. The other thing that it  
18 also does for you is that if you make a bigger unit,  
19 there's a potential that you're going to have to come back  
20 to the Board to get a variance to drill inside these bigger  
21 units. So, that was the reason the 20 acres was considered  
22 was the fact that it simplifies it and it gives more  
23 flexibility to the operator on where these things are being  
24 located. Like I say, if you start making it bigger all of

25

1 a sudden you start running into variances that would have  
2 to be approved by the states. That was the reason for it.

3 GUS JANSEN: We've got some examples coming up here that  
4 hopefully will make this a little more clearer. I know  
5 this is a lot of material to cover quickly and to give the  
6 Board an understanding of where we developed---

7 BILL HARRIS: Let me just ask one quick question.

8 GUS JANSEN: Sure. Go ahead.

9 BILL HARRIS: This is for my own information. Your  
10 naming convention I noticed has the area of rows and  
11 columns. Do you plan to use the R and C as well or will it  
12 just be A430-870 or something like that?

13 GUS JANSEN: I think it would be all this...from my  
14 discussions with the staff at DGO---

15 BILL HARRIS: The R and C will be exclusive in the---

16 GUS JANSEN: I know Jim Lovett is not here today and he  
17 was instrumental in helping to come up with this convention  
18 that they could be able to track it internally and that  
19 will part of it. In reality, the unit name, as you'll see  
20 later on, really won't incorporate much of this. It will  
21 be a part of the plat. But you really won't need the grid  
22 name for their tracking purposes later on internally with  
23 the DGO. But it is a reference point that will be  
24 available on the plat for someone to be able to see where  
25 those grids are developed from. This example one, again,

1 is the horizontal lateral with another term here that we've  
2 sort of come up with an estimated drainage area. Looking  
3 at this exhibit here, you will see...you've got some  
4 dimensions around this. The brown diagonal line is the  
5 natural lateral that has been drilled. You can see the  
6 surface location of the well. You can see the curved  
7 section of the well. This is looking at this in a plan  
8 view. The Board's familiar how...I think the Board is  
9 familiar with how the horizontal units are drilled and  
10 where the production typically comes from. In this  
11 particular example, I've sort of indicated the production  
12 was sort of in and near the land point of the well. You  
13 can't actually produce them depicting on the thickness of  
14 the formation so a section of the curve sections. You have  
15 variations of this. The dimensions on here, this is about  
16 a...a total of about a 4,265 foot horizontal well length in  
17 a vertical section sense. You can also see the setbacks  
18 that we've place on here. A 300 foot setback on either  
19 side of the diagonal or a 600 foot setback completely  
20 around the well itself. That gives you an estimated  
21 drainage area of about 50 acres in this particular case.  
22 Again, these...we've described a lot of these dimensions  
23 and those type of things in the document...the field rules  
24 document that's attached in the other handout that I gave  
25 you. Again, this is just a representation of a typical

1 horizontal, just to give you a visual or what we're trying  
2 to do here. A lot of these variables that I talked about  
3 before, the elipsorb drainage area is what the committee  
4 deemed as reasonable and was supported by the technical  
5 considerations that I went through earlier on and we sort  
6 of made an agreement on that this was a reasonable way to  
7 approach defining our unit as you'll see going forward.

8 SHARON PIGEON: Gus, how did you come up with the 50  
9 acres estimated drainage area? You're crossing several of  
10 these 20 acre grids. That's---

11 GUS JANSEN: Again, if we move forward, the drainage  
12 area is just what we estimated we're actually producing  
13 from within this lateral. The next slide actually shows  
14 the horizontal unit that we need to define from that  
15 drainage area. So, that's sort of a step that the industry  
16 will take in the process. It will define what they feel  
17 like in the formation and their stimulation method and all  
18 of those things. You can increase...this is the minimum.  
19 I sort of set the minimum here of...that's the minimum that  
20 you could be able to allow. If you felt like you were  
21 draining a bigger area you could space this out to 500 foot  
22 and make a bigger unit overall and pay everyone within that  
23 unit. But this was sort of the minimum standards that we  
24 had set in the document.

25

1           And, again, continuing on with this example, now,  
2 you'll see on this slide you'll see the lateral and you can  
3 see the drainage area that we've defined. Now, this is the  
4 unit that will actually be defined with this lateral. The  
5 unit itself is now 220 acres. So, we're creating a unit  
6 that's significantly bigger than that 50 acres that we're  
7 considering draining. That's similar to what we were at on  
8 the 320 acre units. We had a large unit that was  
9 established early on because we wanted to make sure that we  
10 were within a reasonable drainage area and we had some  
11 limitations set on those also. That same concept sort of  
12 carried forward. The only difference here is we're trying  
13 to fit this unit as opposed to being a large elipsorb like  
14 other states may be doing or tying it to a property  
15 boundary and then proportionally paying out on that. This  
16 unit will be defined based on any grid that's touched by  
17 this drainage area of your layout. So, there will be some  
18 engineering that's going to have to be done by the industry  
19 when they propose a lateral to define this drainage area  
20 and then also define the unit. But I think this is a  
21 reasonable approach...a reasonable approach to do this.

22           KATIE DYE: Mr. Jansen, before you move on, on the  
23 previous slide, down where the well is located in that  
24 AR235-C429, will...will those folks in that unit be paid?

1       GUS JANSEN: No. In that case, the well location would  
2 not be...that part of...well, actually they would on this  
3 case. I think the unit extends down to that location  
4 there. So, they would be in part of it. But as we have in  
5 the 320 acres, there can be the possibility that a surface  
6 location can be outside of a potential draining area  
7 depending on how things are laid out according to the grid  
8 system. So---.

9       KATIE DYE: So, where will your production start? Will  
10 that start at the land point---?

11       GUS JANSEN: Right.

12       KATIE DYE: ---on that one?

13       GUS JANSEN: In this particular example---.

14       KATIE DYE: But it looks like the land point falls  
15 within that unit.

16       GUS JANSEN: Yeah, I think it does. I misspoke there.  
17 I said this unit in this particular example---.

18       JIM KAISER: That unit would be.

19       GUS JANSEN: ---that unit would be...that owner would  
20 be part of the unit in this example here.

21       BILL HARRIS: Yeah. But C430 would not be, is that  
22 correct, to the right of that?

23       GUS JANSEN: Correct.

24

25

1        BILL HARRIS: Because even though that it may be that  
2 the surface location is in that 20 acre unit, but no  
3 production is coming from it.

4        GUS JANSEN: Right. There could potentially be surface  
5 disturbance within that unit for the site or whatever else.  
6 But there is not anticipated production from within the  
7 C...R235-C429 grid/ That would be the unit that would be  
8 paid on. But if you were in the R235-C430 with just  
9 surface disturbance, now the operator would still have to  
10 have an agreement for the surface location, which they will  
11 also have to pay damages on any of surface disturbance that  
12 they use there and would have to have those agreements in  
13 place before they could use the surface location. We have  
14 that concept now in the 320 where a unit well location can  
15 be outside of the unit. So, it's the same concept there.  
16 That's really not changed.

17        BILL HARRIS: Did that answer your question?

18        KATIE DYE: Yes. Thank you.

19        BRUCE PRATHER: Mr. Chairman, can I make a couple of  
20 comments?

21        BILL HARRIS: Yes, Mr. Prather.

22        BRUCE PRATHER: One of the beauties of this concept is  
23 the fact that see this is a 4,000 foot lateral. You know,  
24 we've been talking about 10,000 foot laterals and maybe  
25 even up to 15,000. This concept works beautifully. In

1 other words, all it does is increase the amount of acreage  
2 in the unit and we can just keep extending that lateral  
3 onto the northwest. So, that's one of the beauties of this  
4 system is the fact that we don't have to...if somebody  
5 wants to drill a 15,000 foot unit, we can set the thing up  
6 that way on this spacing.

7 GUS JANSEN: So, again, we finally got to defining the  
8 unit associated with each lateral. Each lateral would  
9 again have a unit associated with that. That is one  
10 difference between the current 320 acre provisional units  
11 that some operators are getting where you can drill  
12 multiple units within a unit. I know that is an issue with  
13 the DGO of being able to track the units tied to the wells  
14 and those type of things. So, where we have multiple  
15 laterals within units in the provisional side now, that  
16 concept will go away and will be different. Again, I think  
17 this is a reasonable approach to defining the area  
18 associated with the well development. It's a good approach  
19 to help minimize stranded acreage and this way as we go  
20 forward you'll see some of that and, again, I need to point  
21 out that you can't actually have base grids that would  
22 overlap depending on the formation for offsetting wells.  
23 So, you could have another well and I'll show this again as  
24 we go forward. Another unit could have some overlap to it.  
25 You know, a certain grid can be in more than one unit. So,

1 you could have pay outs between multiple people in  
2 different wells and that type of thing. It allows that  
3 spacing to develop.

4 To sort of relate this back to, that's sort of the same  
5 thing that we sort of do now with the vertical wells and  
6 the 2500 foot spacing. We have the circular units now that  
7 when come in and request to recover additional reserves  
8 between those existing wells and we have some overlapping  
9 areas between those 2500 foot units. That's sort of the  
10 same concept being carried forward here. But allowing to  
11 take care of any of those other little gaps that we can't  
12 take care under those circular units that we have now.  
13 Hopefully, that eliminates those problems.

14 Finally, on example one, again, this is sort of just  
15 another view of this showing how the individual mineral  
16 ownership could be divided up inside this unit so the  
17 royalty could be paid out on a proportional basis to each  
18 ownership within the unit. Each unit, again, would be  
19 associated with a well. So, there will always that  
20 consistent tie there. There won't be any question of which  
21 unit goes with each well and that type of thing.

22 DONNIE RATLIFF: Mr. Chairman.

23 BILL HARRIS: Yes.

24 DONNIE RATLIFF: Gus, will you back one? I still have a  
25 problem with this.

1       GUS JANSEN: Okay.

2       DONNIE RATLIFF: The southernmost point of the drainage  
3 area, the broken line, is that---?

4       GUS JANSEN: The surface location would be right there.

5       DONNIE RATLIFF: Where does production start?

6       GUS JANSEN: The production is going to start back in  
7 here 300 foot inside of this drainage area.

8       DONNIE RATLIFF: Okay. So, you've allowed 300. That  
9 was my question.

10       GUS JANSEN: We allowed for that.

11       DONNIE RATLIFF: That's...okay.

12       GUS JANSEN: And then sort of as a catch safety net,  
13 we've then extended out this whole grid units to the  
14 squares. Now, we've gone from that 50 acres of what we  
15 really believe we're draining and we've...now, we've got a  
16 220 acre---.

17       DONNIE RATLIFF: Okay.

18       GUS JANSEN: ---unit that's sort of being paid out on--  
19 -.

20       DONNIE RATLIFF: I thought the horizontal part meant the  
21 actual production started at the bottom of the broken line.  
22 That was my question. Why would you back up 300 feet? But  
23 you...you covered it.

24       GUS JANSEN: And if you...and that's going vary with  
25 where you---.

1           DONNIE RATLIFF: I---.

2           GUS JANSEN: ---set your packer system, NDLs or  
3 whatever completion techniques you would use. So, it would  
4 have to be tied back to where your development and gas  
5 production would be proposed. That would all be taken care  
6 in the permitting process anyway. We make those proposals  
7 now to make sure that we're within the unit and have those  
8 dimensions in there and those type of things.

9           SHARON PIGEON: Gus, what's the 50 acres based on? Do  
10 you have---?

11          GUS JANSEN: The 50 acres is basically the area  
12 associated that elipsorb around the lateral itself.

13          SHARON PIGEON: I understand you've designated that as  
14 the drainage area, but is it based on science or did you  
15 just say---?

16          GUS JANSEN: Right. To get back to where we talking  
17 about the elipsorb concept. In Kentucky, their elipsorbs  
18 are 500 feet offsets from the well. They're finding now  
19 they're infilling those over in Kentucky now and now  
20 they're having overlapping units. The same concept in  
21 Kentucky when they have an offsetting lateral. They feel  
22 like the 300 feet was a reasonable amount what they felt  
23 like they were stimulating and producing from and then  
24 they're coming back and doing infilling. The same thing  
25 has happened in the Barnett shales. The same thing has

1 happened in the Marcellus up in Pennsylvania where they  
2 started...the industry starts at some spacing and they  
3 continually get down as technology advances and you  
4 continually get down to what spacing you can still  
5 economically drill those wells. The 300 foot was a  
6 reasonable cut off at this point in time. We had set up  
7 the provisional units, if you remember, there was a 600  
8 foot standoff from our vertical wells and we've seen to  
9 date very little communication between our wells and any  
10 vertical wells. We've done that. So, there's some science  
11 in behind all of this. We want to be able to push that  
12 envelope a little further to continue to maximize the  
13 recovery of the resource. That's not to say that it could  
14 be less than 300. I think that's probably reasonable at  
15 this point in time. But it could always be greater if  
16 you...depending on the compensity of vertical wells you may  
17 not...you may want to go out further and create a bigger  
18 unit, assuming you thought you were going to stimulate more  
19 of that as technology advances, different fracing  
20 techniques come around and you're reaching further out in  
21 these laterals. But that was sort of where we think we are  
22 today on that.

23 SHARON PIGEON: Well, the reason that I'm pressing on  
24 that point, do you see the dotted line? There using the  
25 300 feet and the 50 acres, do you see how close that is to

1 you actually getting into the next grid section there? You  
2 don't have solid science backing that up. You may have---.

3 GUS JANSEN: And there was a lot of discussion on  
4 that...on that exact point. Again, if you...if you  
5 imagined and we'll talk about this going forward on some  
6 other examples. If you drilled another lateral right here,  
7 right perpendicular to this one, you would again form a new  
8 unit. That unit would be...probably would be doing the  
9 same thing in reverse. The existing units are already  
10 there. You probably have some overlap there depending on  
11 what your spacing deemed necessary to recover the maximum  
12 amount of the resource. So, again, this is sort of the  
13 same concept the way the CBM grids were developed. You  
14 know, if every CBM grid got drilled there would be an  
15 equitable amount of distribution of the reserves in each of  
16 the wells and the payout would be similar. I mean, there's  
17 no way unless you're going to go to something like a true  
18 elipsorb, which obviously the Board did not want to go that  
19 path. The committee didn't feel like the Board was  
20 interested in going down a path like that, which other  
21 states are using, or tying it to a unit. So, this was sort  
22 of the compromise to get there.

23 DONNIE RATLIFF: Mr. Chairman.

24 BILL HARRIS: Yes.

25

1        DONNIE RATLIFF: I think it's important that you've got  
2 the history of Kentucky and somewhere we've got make our  
3 attorney feel like this is bullet proof.

4        SHARON PIGEON: Whoa.

5        DONNIE RATLIFF: Somewhere we need that, you know, on  
6 the record that here's what they've got. Here is the  
7 problems and here's what we did.

8        GUS JANSEN: Right.

9        DONNIE RATLIFF: This is a better...this is a better  
10 solution than what's currently being done in a neighboring  
11 state. It has got similar geographic conditions. I just  
12 think it needs to be part of the record at some point in  
13 time someday.

14       GUS JANSEN: And, hopefully, I've...maybe I didn't do a  
15 good enough job of talking about that and the technical  
16 considerations about what they were doing and that kind of  
17 detail. But the committee has looked at those things and  
18 Equitable was a big part of this committee and they have  
19 the most history and experience with what goes on in  
20 Kentucky and they...they were sort of the lead on that.  
21 Obviously, no one is here today from Equitable to address  
22 that with us today. But I'm sort of reiterating what they  
23 had brought to the committee and what they had seen in  
24 their production and their drilling that they've done to  
25 date over there.

1        IAN LUCAS: And we're just now...I'm sorry. We're just  
2 now starting to be able to tie some of the production that  
3 we have to date based on our reservoir calculations that we  
4 go in for our pre-drill economic evaluations. We're just  
5 now at the point where we're starting to tie some of those  
6 numbers back. Unfortunately, we just don't have that many  
7 yet, you know. But we're working to get to that point.  
8 So, that science will continue to evolve. We were  
9 comfortable with that number based on what we've already  
10 seen to date where we're starting to tie our actuals to our  
11 predictions. We were still comfortable with that number.

12        BILL HARRIS: And the other thing that I was just going  
13 to comment on, the ellipticals to me present a problem like  
14 we...really have in conventional drilling where we have the  
15 circle and then they will leave lots of areas that  
16 are...that are not covered there. Actually, I don't know  
17 that we'd actually draw from those, but...you know, with  
18 their gaps. So, this has the potential of filling in all  
19 of the squares depending on how the drilling gets done and  
20 whatever. So, I can see where this would be more  
21 appropriate.

22        GUS JANSEN: Yeah, let me move to the next example.  
23 Maybe that will help clear that up again. So, here,  
24 example two, this is an idealized horizontal development.  
25 Again, I'd point out here that you could have varying

1 conditions that are going to dictate varying unit  
2 configurations. You can imagine that the application to  
3 this concept, these different formations and lateral  
4 orientations or lateral lengths are going to change each of  
5 these. So, in these examples here, here's five horizontal  
6 laterals and they all have just a little bit of different  
7 orientation on it for whatever reason and they have  
8 different surface locations depending on...the topography  
9 is going to be a big impact of that and they have varying  
10 lengths. Developing these 20 acre grids around each one of  
11 these horizontal drainage areas leads you to a variable  
12 amount of units that are associated with it. You can see  
13 how sort of just the blocked mechanism sort of locks  
14 everything together over time as you drill and continue to  
15 develop the field.

16 BILL HARRIS: Now, this is based on an assumption...I  
17 think I asked this in another meeting, about the direction  
18 of these. Is it normally a northwest type of orientation  
19 for the wells in the fields that we're looking at?

20 GUS JANSEN: Like I talked about a little bit earlier on  
21 the geologic considerations, in a...in a formation such as  
22 the Lower Huron which is driven mostly by the structure and  
23 its nature fracturing, that is the orientation...the  
24 preferred orientation. Now, if you're drilling into a  
25 horizontal into a Big Lime, which is a precocity driven gas

1 play, that necessarily could be on any orientation. You  
2 would want to actually do your...do your science behind  
3 that and orient that lateral into the maximum part of that  
4 precocity zone to develop that the most efficiently. The  
5 same thing into maybe a tight gas sand scenario such as the  
6 Berea, which we've...which Range has had some experience  
7 with that, that we would want to be able to do that.  
8 That's one of the limitations we have with the 320 acres  
9 now. We sort of are boxed in by that 320 acre unit to get  
10 the length that we need to be able to develop it  
11 efficiently. We're drilling more or less on these  
12 orientations right now. But that will...that gives us the  
13 opportunity to change that going forward and to be able to  
14 get in between existing vertical wells depending on what  
15 patterns are already out there to get the resources that  
16 are left behind.

17 So, hopefully, this clears this up a little bit as we  
18 move forward and---

19 SHARON PIGEON: Well, is there going to be a requirement  
20 that these units hook up the way you've idealized it here  
21 or is it going to be possible as I think Donnie was asking  
22 earlier that some individuals are skipped over in setting  
23 up your next---

24 GUS JANSEN: That's always a possibility depending on  
25 what the spacing is on your development related to the

1 formation. There could always be a unit that...you know,  
2 hopefully as you...technology advances you're going to  
3 drill to the maximum economic limit. If you do that, I  
4 don't see that as being a real issue. You know, starting  
5 out, you're obviously not going to want to go out in say  
6 until another formation had been tested so much at this  
7 point in time. If you've got one well, you're not going to  
8 want to drill your second well 300 feet away from it.  
9 You've going to want to get further away and see...see how  
10 your results are and that will continue to evolve just like  
11 vertical spacing on the 2500 foot has come down and the  
12 same thing with CBM infilling as the densities are  
13 increased in the well as technology advances I think that  
14 will take care of itself over time if you've got full  
15 recover of the field. That's not to say...you know, you're  
16 always going to be limited by topography at some point in  
17 time and cultural restraints. You may not be able to get a  
18 physical surface location where you need to get one. So,  
19 that could lead to one individual or a couple of 20 acre  
20 grids and never be included in a unit. We would have the  
21 same issue no matter how you do it.

22 JIM KAISER: Yeah. The same thing happens with your  
23 current CBM field rules.

24 GUS JANSEN: If you've got a...even on a 320 acre grid  
25 system if you make a bigger grid you could still...if you

1 don't have any place in that 320 acres to drill a location  
2 or get the orientation that you want, you're not going to  
3 ever drill that 320 acre grid either. This allows to  
4 minimize that from happening by getting this down to a  
5 manageable 20 acre grid system that can be built back up  
6 into your unitization and to be able to address each of  
7 these concerns.

8 DONNIE RATLIFF: Mr. Chairman.

9 SHARON PIGEON: But can we really say as small an  
10 acreage as 20 acres shouldn't be included in one of these  
11 units? That it should be left.

12 GUS JANSEN: We had some discussion on that. I guess at  
13 what point in time do you require it to be put into a unit.  
14 You know, do you...as you continue to develop and get down  
15 to a smaller spacing with your laterals we felt like it  
16 would get addressed. But if you...if your...if you set the  
17 limit at 5,000 feet, how many...how far out do you really  
18 need to go? That was the purpose of defining the drainage  
19 area to find something reasonable to get that unit size  
20 something reasonable. I'm not sure how...that is a  
21 stumbling block with any system you try to do. I mean,  
22 it's the same thing in other states just like we've talked  
23 about. The elipsorbs are never going to perfectly match  
24 up. There's always going to be other factors in there.  
25 Your geology is going to change, your topography is going

1 to change and all of those issues are going to come up.  
2 So, everything is not exactly equal all through the field  
3 in every formation and every reservoir. But this is sort  
4 of the best solution that we can get to at this point.

5 DONNIE RATLIFF: Mr. Chairman.

6 BILL HARRIS: Yes, Mr. Ratliff.

7 DONNIE RATLIFF: If this truly turns out to be a better  
8 way to build quad, what we do with the 320 acre units that  
9 we've already approved? Do we convert?

10 GUS JANSEN: What we talked about at this point in time  
11 was any unit that has already been drilled...any 320 acre  
12 unit or any other unit that has been drilled horizontally  
13 is already in production they sort will have to stand on  
14 their own. There's...I don't think there's a mechanism to  
15 back up and do that. Any unit that has been approved for  
16 drilling that would sort of be the operators preference, if  
17 you wanted to go ahead and pursue that, he could leave that  
18 or he could go through a modification process in the permit  
19 to convert to this new system. That way the public would  
20 get notified of any change in the unit and everything like  
21 that. We didn't feel like you could back up on something  
22 that's already done. I think that's sort of been the  
23 problem with to changing the circular units. How do you  
24 back up on everything at some point in time and the way  
25 payments are done on everything there that that was a

1 consideration that was brought in there. The Board could  
2 do whatever they feel like is the best approach there. But  
3 that was the committee's discussion there.

4 BILL HARRIS: Mrs. Dye has a question.

5 KATIE DYE: Yes. Will you be drilling multiple wells on  
6 the same pad with this system?

7 GUS JANSEN: Yes. That, again, will allow us to do that  
8 and this idealized example, you know, in theory what you  
9 may want to be able to do is actually slide this horizontal  
10 up and put it on the same pad as that and drill, you know,  
11 opposing laterals on an orientation that is preferable.  
12 Again, this was sort of an idealized layout just to give  
13 you an example or how that would work.

14 DONNIE RATLIFF: Which is less surface disturbance,  
15 which is (inaudible) landowner.

16 GUS JANSEN: Which is less surface disturbance again.  
17 So, again, you could...again, each individual lateral would  
18 be associated with its own unit. Again, that's sort of one  
19 of the constraints that I was going to talk about later on  
20 with a 320. You sort are limited to where you can apply  
21 that. It's a very limited area that that concept will work  
22 at least on the horizontals in the Lower Huron. Any more  
23 questions on this? It sort of moves into what we've been  
24 talking about here. But---.

25

1           DONNIE RATLIFF: I know we need to move this on, but  
2 suppose you don't make it to the...to the four yellow grids  
3 on the top and something happens to the well and you've  
4 pooled it and included those people. Now, what happens to  
5 that group and you didn't get to go as far as you thought?

6           GUS JANSEN: That was discussed also and I'm not sure we  
7 ever resolved that completely. That was a consideration  
8 that Bruce can try or anyone else can. There was talk that  
9 if you have established the unit you could leave the unit  
10 as it is and continue to pay on that unit and then if you  
11 ended up recovery that reserve by another lateral coming  
12 back into those parts of the unit that you didn't drill,  
13 then you would be double paying just like we sort of do on  
14 the vertical wells.

15           BRUCE PRATHER: Yeah. That's one way. You could have  
16 stranded units in the even you cut it off where the lateral  
17 is physically drilled to and you'd have 3,000 foot of  
18 lateral after you didn't finish. So, basically, what our  
19 intention was that whatever the size of that  
20 unit...whatever size you say you're going to drill that  
21 thing on, those people share in that well, the royalty  
22 owners.

23           SHARON PIGEON: But they have the potential for a double  
24 recovery, you know,---.

25           BRUCE PRATHER: Yeah. Yeah.

1        SHARON PIGEON: ---because you can overlap another---.

2        BRUCE PRATHER: Yeah. You could come back the other way  
3 with another unit and maybe pick it up.

4        MARY QUILLEN: That's the same principle that we  
5 operate on now that if there's an overlap that they get  
6 paid on both.

7        BILL HARRIS: Yeah.

8        GUS JANSEN: The other option is to come back in after  
9 you've drilled the well and provide your final plat and we  
10 recalculate your drainage area and modify your unit. Those  
11 people would be out of it. So, you'd still have to go  
12 through the permitting process to change that.

13        This is sort of an example looking with that idealized  
14 layout with the constraints of what we could see in the 320  
15 acres. The first thing that you sort of see is right off  
16 the bat it's the issue of crossing over the 320 acre units  
17 to drill a lateral. What those constraints are you may end  
18 up with three or four of these 320 acre units that have to  
19 be put together and pay out on that. That was an  
20 unreasonable reach on the drainage area of what each  
21 individual well was getting. This...the 320 acre concept  
22 would not maximize the resource recovery in that way.  
23 You'd have some limitations there. You have limited  
24 lateral limits that you're able to drill now tied back to  
25 these 320 acres without putting multiples together. Then

1 you also have limited flexibility for the orientation that  
2 you can drill on. If you really wanted to drill on a  
3 north...or an east west orientation it really would shorten  
4 your laterals and that type of thing and again have to put  
5 multiple 320s together. The solution that we came down to  
6 and this is where the concept the 20 acres sort of a  
7 manageable and reasonable size to use to develop the  
8 building blocks for the units that we end up with.

9 And then another example, this is an example of a  
10 multi-lateral concept that is being done in other places in  
11 this point in time. So, this would be out of a single well  
12 bore where they varied their orientation drastically in a  
13 lot of different orientations. Again, you would have a  
14 drainage area associated with each of these legs of your  
15 well. Again, this is multiple laterals coming into a  
16 single vertical well bore. That technology is coming  
17 quickly. It has already been done in coal bed. So, this  
18 concept sort of fits the same thing. You can apply this  
19 the same way that we're doing now in our...for example, the  
20 coal development, sort of the same issues there.

21 BILL HARRIS: Looking at this, the upper most to the  
22 right when you have actually a lateral that goes up and  
23 curves there, I guess that technology and drilling is no  
24 different than going down and turning. Is that---?

25 GUS JANSEN: Right.

1       BILL HARRIS: ---about the same?

2       GUS JANSEN: You can modify your asmath once you've got  
3 your curve in the horizontal state or whatever you can  
4 direct these in any direction you want to do. This is an  
5 actual well that has been drilled in Virginia. This is a  
6 CBM well.

7       SHARON PIGEON: Where is this? Where?

8       GUS JANSEN: Pardon me?

9       SHARON PIGEON: Where has this been drilled?

10      GUS JANSEN: (Inaudible) Mountain. It's an EQT well.

11      BRUCE PRATHER: I think the only disadvantage to these  
12 if you've got start all through the pipe up near the top so  
13 you can put those laterals inside in this big casing.

14      GUS JANSEN: Again, I just want to touch quickly on this  
15 naming convention. I've sort of gone through I here.  
16 Again, this was done a lot of impact with the DGO staff.  
17 Again, you see here the individual grids with their naming  
18 convention on it that would be referenced on your plat when  
19 you submitted that. Then your unit would be defined as the  
20 outline. The naming convention that we sort of came up  
21 with was associate each one of these units with the pool.  
22 In this case, the SWVH-1 Pool area, which we talked about  
23 early on, Southwest Virginia so you could have multiple  
24 pools throughout the state. You could tie to a naming  
25 convention with each of your formations and talk with Jim

1 Lovett about developing a four digit alphanumeric number  
2 that could be attached to any formation that an operator  
3 brought in there. We sort of limit those for this point in  
4 the field rules. We sort of looked at the issues that were  
5 there. Only going for coal, you could do coals up to a  
6 certain elevation, I believe, was the Splashdam which  
7 what's sort of the consistent...what we see in the existing  
8 field rules for the CBM vertical wells and then any  
9 conventional gas formation down below the coal bearing  
10 section down to the top of the (inaudible) and we sort of  
11 limited this concept to there because, again, that is the  
12 most geologic similar areas of the most information that's  
13 historically where the wells are produced in Virginia and  
14 that was a limiting factor that you will see in those...in  
15 that document there also. Again, tying that back to the  
16 actual file number for each individual well and that allows  
17 the DGO staff to very readily know which unit goes with  
18 which well and where it's at and those type of things in  
19 their tracking system.

20 So, again, just sort of in the field rule document that  
21 you have there, I think it defines a scope of the  
22 horizontal drilling and the process that we've sort of gone  
23 through here and hope it clarifies to you in that document.  
24 Again, we're providing limitations to minimize the impact  
25 of the existing vertical well production and protect

1 correlative rights. Then we've also got some additional  
2 requirements in there for some mapping data that the  
3 committee felt was needed and the DGO staff felt was needed  
4 to help them implement and facilitate their permitting  
5 process and their tracking of these wells and that sort  
6 of...the operators felt that was reasonable information  
7 that they would be needed there. Some of that was showing  
8 some additional where more wells were in  
9 relation...vertical wells were in relation to that given  
10 the topographic background of that and some things like  
11 that that just help them figure out exactly where they were  
12 in the field and those type of things. Those have been  
13 long and drawn out. But hopefully we're at the end here.

14 Again, this is the committee's recommendation. The  
15 proposal standardizes the drilling units. It protects  
16 correlative rights. It helps to prevent waste and  
17 encourage development. It eliminate the VGOB process to  
18 establish these provisional units. Again, it doesn't  
19 eliminate any of the current regulatory requirements that  
20 would be in place for any wells that are being drilled out  
21 there. Again, any...anything outside the scope of these  
22 field rules would still have to come back before this Board  
23 if somebody wanted to do something different. I think in  
24 the same token there, if the Board sees some development  
25 going on that sort pushes the limits of these field rules,

1 at that point in time they would have the authority to come  
2 back in and modify those rules again and those type of  
3 things. So, again, that's the presentation. I'll try to  
4 answer any other questions you may have at this point.

5 BILL HARRIS: Are there other questions?

6 DONNIE RATLIFF: I have a request.

7 BILL HARRIS: Yes.

8 DONNIE RATLIFF: That the staff send this to us  
9 electronically so that we can save the file because I've  
10 got a feeling that we're going to need this again at some  
11 point in time.

12 BILL HARRIS: We'll ask that that...that we get an  
13 electronic copy of that.

14 DIANE DAVIS: Okay.

15 BILL HARRIS: Any other comments from Board members or  
16 any of the other presenters?

17 GUS JANSEN: I guess the only other comment I have is I  
18 guess the industry would sort of like to get some kind of  
19 feel or where the Board feels of this presentation at this  
20 point in time and this concept and if there will be some  
21 kind of timing of when this process may be getting  
22 implemented so that we can make plans on how to proceed  
23 with provisional units and those type of things in the  
24 meantime to continue our development. I know that's sort  
25 of a difficult question for the Board to address.

1        BILL HARRIS: Well, especially since Mr. Lambert is  
2 not...not here. I think it's...I can try to answer that  
3 but I don't know how appropriate that would be not being  
4 the actual chair. But I would like to thank Mr. Prather  
5 and this group of folks for working on this. It is not an  
6 easy job and I'm sure that it's probably a working progress  
7 to a certain...to a certain extent. I would presume...are  
8 you all still planning meetings, Bruce, or have you all  
9 finalized---?

10        BRUCE PRATHER: I think we're done unless---.

11        BILL HARRIS: Okay.

12        BRUCE PRATHER: ---it's completely thrown out and---.

13        BILL HARRIS: Well, I...well, hopefully, it will be---.

14        MARY QUILLEN: But I do believe that we do need  
15 the...the Chair needs to...the Chairman of the Board needs  
16 to have input this. Since he isn't here today, I think  
17 that maybe we should postpone the vote on this until he  
18 able to review all of this and then possibly come back with  
19 the ability to vote on the acceptance and then he would  
20 have some idea of a time frame.

21        BILL HARRIS: I agree. I think that though,  
22 again...again, a great deal of thanks is in order and we  
23 would, again, procedurally I guess I do need to wait until  
24 the Chair is here. Do we need to...in terms of receiving  
25

1 this report, do we need to take any action...official  
2 action in that regard?

3 BRUCE PRATHER: Mr. Chairman, I assume that Ms. Pigeon  
4 would have to go over this thing to make sure that we're  
5 not---

6 MARY QUILLEN: Absolutely.

7 BRUCE PRATHER: ---interfering with any current  
8 statutes that are in place. I mean, you know, we're not  
9 lawyers. So---

10 BILL HARRIS: What I was asking about receiving it  
11 just...yeah, I'm just saying acknowledge the work that the  
12 Board has done...so, I mean...that the group has done. So-  
13 --.

14 MARY QUILLEN: Well, it would be on the record that it  
15 was presented---

16 SHARON PIGEON: Well, you don't have to.

17 MARY QUILLEN: ---but not action was taken.

18 BILL HARRIS: Okay.

19 JIM KAISER: Yes, if I might suggest, what I would  
20 suggest is that you all take a look at it independently and  
21 study it and then get Mr. Lambert involved. Then before  
22 putting it back on the Board...back on the docket under  
23 your own motion for any action, get a hold of Mr. Jansen or  
24 one of the Committee members with any questions or concerns  
25 that you might have so that when you put it on we can come

1 back with the right people whether it would be some  
2 additional discussion of what's going on in Kentucky or  
3 whatever it may be so that, you know, after maybe that  
4 second docket hearing we can...we can put this thing to bed  
5 one way or the other.

6 DENNIS WILLIS: I think...if I may just say a couple of  
7 words as a public member and the person representing  
8 several landowners.

9 BILL HARRIS: Can we get your name also, please?

10 DENNIS WILLIS: Dennis Willis.

11 BILL HARRIS: Okay. Thank you.

12 DENNIS WILLIS: Representing several landowners and gas  
13 owners. Being part of this committee, what I was  
14 interested in is also maximizing the amount of reserves  
15 that are recovered, but at the same time making sure that  
16 everything is paid properly. I think that on the  
17 correlative rights, I think we aired in that favor. So, I  
18 think...I think there probably will be more people getting  
19 paid than what gas is being recovered. So, I...I would  
20 just like to say that. So, I am very well satisfied with  
21 it.

22 BILL HARRIS: Thank you. I appreciate your comments.  
23 Anything further on this issue?

24 (No audible response.)  
25

1       BILL HARRIS: The Board will revisit this when Mr.  
2 Chairman...I'm sorry, when Mr. Lambert, the Chairman, comes  
3 back and we take a look at that. Thank you very much.

4       GUS JANSEN: Thank you.

5       BRUCE PRATHER: Thank you.

6       MARY QUILLEN: Good job, guys.

7       BILL HARRIS: What we will do, we will continue any  
8 official action until Mr. Lambert returns. I don't know if  
9 I can give a deadline. But I would think it would be  
10 very...you know, within the next month or two. But, again,  
11 I'm not at liberty to say at the next meeting. I believe  
12 it will be sometime soon because I think we will have a  
13 chance to look at this.

14       SHARON PIGEON: Well, Donnie wants to...I mean, he made  
15 a good point.

16       BILL HARRIS: Yeah.

17       SHARON PIGEON: It's important that all of you review  
18 this a little.

19       JIM KAISER: Yeah. And, again, if I can reiterate, you  
20 know, so that we don't have this hearing three or four  
21 times, if when you do do your independent study if you can  
22 list any questions or concerns that you have and then get  
23 those to somebody on the committee so that we can have the  
24 right people here to answer those questions.

25       BILL HARRIS: Yes, okay. Thank you. We will.

1           DONNIE RATLIFF: Mr. Chairman.

2           BILL HARRIS: Yes.

3           DONNIE RATLIFF: Has staff...have you guys reviewed  
4 this?

5           RICK COOPER: Yes.

6           DONNIE RATLIFF: Okay.

7           BILL HARRIS: I think we're all on the same page as far  
8 as that's concerned. We just want to make sure we do the  
9 right thing officially. So, if you will move forward.  
10 Thank you for a good job from everyone. We'll move on to  
11 item number four on your docket. This is a petition from  
12 CNX Gas Company, LLC---.

13           MARY QUILLEN: What about number three?

14           BILL HARRIS: I'm sorry.

15           SHARON PIGEON: Just because Jim is so ignoring, we...

16           BILL HARRIS: Sorry, folks. This is item number three,  
17 a petition from EQT Production Company on behalf of  
18 Timothy...Timmie Sutherland and Patricia Sutherland, Corbet  
19 Anderson and Phyllis Anderson, Harry Anderson and Sharon  
20 Anderson, Robert Kuchan and Patricia Kuchan and Range  
21 Resources-Pine Mountain, Inc. for distribution... I'm  
22 sorry, disbursement of funds from escrow and authorization  
23 of direct payment for unit VC-537100 for Tract 2, Ervington  
24 District, Dickenson County. The docket number is VGOB-07-  
25 0417-1918-01. This item was continued from July.

1           JIM KAISER: Mr. Chairman, Jim Kaiser for EQT  
2 Production. We'd ask that this item be continued until  
3 September. Our witness for this item today had some sort  
4 of personal emergency and was not able to make it.

5           BILL HARRIS: And so we will continue...did we have some  
6 citizen to speak on that item?

7           (No audible response.)

8           BILL HARRIS: Okay. We'll continue that until September  
9 then. September is---

10           JIM KAISER: And then if I may...going forward, if  
11 I may, Mr. Swartz, has graciously allowed me to continue  
12 down my path here today, if you would call item number  
13 thirteen.

14           BILL HARRIS: All right. Calling item number  
15 thirteen on the docket, a petition from Appalachian Energy,  
16 Inc. for pooling of a coal bed methane unit AE-235 that's  
17 unit H-101, North Grundy District, Buchanan County,  
18 Virginia. The docket number is VGOB-11-0125-2899. That  
19 item was continued from May.

21           JIM KAISER: Mr. Chairman, Jim Kaiser representing  
22 Appalachian Energy, Inc. We'd ask at this time that this  
23 petition be withdrawn from the docket.

24           BILL HARRIS: That item will be withdrawn.  
25

1           JIM KAISER: And then, again, playing on Mr.  
2 Swartz's graciousness, I only have one item left and that  
3 would item twenty, which is a Range Resources force  
4 pooling.

5           BILL HARRIS: Okay. Then we'll move to item  
6 twenty, a petition from Range Resources-Pine Mountain, Inc.  
7 for pooling of coal bed methane well Watkins 21 that's unit  
8 Z-74, Prater District, Buchanan County, Virginia. The  
9 docket number is VGOB-11-0816-2982. We'd like all persons  
10 who wish to speak to this item please come forward.  
11

12           JIM KAISER: Mr. Chairman, Jim Kaiser, Phil Horn  
13 and Gus Jansen on behalf of Range Resources-Pine Mountain,  
14 Inc.  
15

16           BILL HARRIS: The record will show there are no  
17 others.

18           (Phil Horn and Gus Jansen are duly sworn.)

19           BILL HARRIS: You may proceed.

20           JIM KAISER: I'll begin with Mr. Horn.  
21  
22  
23  
24

25                           PHIL HORN

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

3 DIRECT EXAMINATION

4 QUESTIONS BY MR. KAISER:

5 Q. Mr. Horn, if you'd state your name for the  
6 record, who you're employed by and in what capacity?

7 A. My name is Phil Horn. I'm the land manager  
8 for Range Resources-Pine Mountain, Inc. One of my job  
9 duties is to get wells permitted and drilled.  
10

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

13 A. Yes, it does.

14 Q. And are you familiar with the application  
15 that we filed seeking a pooling order for Range Resources  
16 well number Watkins 21 dated July the 15<sup>th</sup>, 2011?  
17

18 A. Yes, I am.

19 Q. Is Range Resources-Pine Mountain own  
20 drilling rights in the unit involved here?

21 A. Yes, we do.

22 Q. Prior to the filing of the application, were  
23 efforts made to contact each of the respondents owning an  
24 interest in the unit and an attempt made to work out a  
25

1 voluntary agreement with each?

2 A. That's correct.

3 Q. What's the interest under lease to Range  
4 Resources-Pine Mountain in the gas estate in this unit?

5 A. 99.5553333%.

6 Q. And the interest under lease to Range Resources-  
7 Pine Mountain in the coal estate?

8 A. 100%.

9 Q. And are all unleased parties set out at Exhibit B-  
10 3?

11 A. Yes, they are.

12 Q. So, the percentage of the gas estate that remains  
13 unleased would be 0.4446667?

14 A. That's correct.

15 Q. Now, we do have some...we have one unlocateable in  
16 the unit, is that correct?

17 A. We have...I believe there's three unlocateables.

18 Q. Three?

19 A. Yes.

20 Q. And have you provided a letter of due diligence to  
21 Mr. Cooper concerning your efforts to locate those folks?

22 A. Yes, I did. I just handed it to him.

23 Q. Okay, thank you. In your opinion, were reasonable  
24 and diligent efforts made and the sources checked to  
25 identify and locate these unlocateable respondents

1 including primary sources such as deed records, probate  
2 records, assessor's records, treasurer's records and also  
3 secondary sources such as internet, telephone directories,  
4 city directories, family and friends?

5 A. Yes, sir. Yes.

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

9 A. Yes.

10 Q. And are the addresses set out in Exhibit B to the  
11 application the last known addresses to the best of your  
12 knowledge for the respondents?

13 A. Yes.

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

16 A. Yes, we are.

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

20 A. That's correct.

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

23 A. Thirty dollars per acre for a five year  
24 lease that provides a one-eighth royalty.  
25

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

5 A. Yes.

6 Q. Now, as to those respondents listed at B-3  
7 that remain unleased, do you agree they be allowed the  
8 following statutory options with respect to their ownership  
9 interest within the unit: 1) Participation; 2) a cash bonus  
10 of...I guess it will be six dollars per net mineral acre---  
11  
12 .

13 A. It will be thirty dollars.

14 Q. Thirty dollars per net mineral acre plus a  
15 one-eighth of eight-eighths royalty; in lieu of a cash  
16 bonus and one-eighth of eight-eighths royalty share in the  
17 operation of the well on a carried basis as a carried  
18 operator under the following conditions: Such carried  
19 operator shall be entitled to the share of production from  
20 the tracts pooled accruing to his/her interest exclusive of  
21 any royalty or overriding royalty reserved in any leases,  
22 assignments thereof or agreements relating thereto of such  
23 tracts, but only after the proceeds applicable to his or  
24  
25

1 her share equal, A) 300% of the share of such costs  
2 applicable to the interest of the carried operator of a  
3 leased tract or portion thereof; or B) 200% of the share of  
4 such costs applicable to the interest of a carried operator  
5 of an unleased tract or portion thereof?

6  
7 A. Yes.

8 Q. Do you recommend that the order provide that any  
9 elections by the respondents be in writing and sent to the  
10 applicant at Range Resources-Pine Mountain, Inc., P. O. Box  
11 2136, Abingdon, Virginia 24212, Attention: Phil Horn?

12 A. Yes.

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

17 A. Yes.

18 Q. Should the unleased respondents be given thirty  
19 days from the date they receive the recorded Board order to  
20 file written elections?

21 A. Yes.

22 Q. If an unleased respondent elects to participate,  
23 should they be given forty-five days to pay their  
24 proportionate share of actual well costs?

25 A. That's correct.

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

6 A. Yes.

7 Q. Do you recommend that the order provide that if a  
8 respondent elects to participate but fails to pay their  
9 proportionate share of well costs, then that election to  
10 participate should be treated as having been withdrawn and  
11 void and the respondents should be deemed...should be  
12 treated as deemed to have leased?

13 A. That's correct.

14 Q. Do you recommend the order provide that where a  
15 respondent elects to participate but defaults in regard to  
16 payment of those costs any cash sum becoming payable from  
17 the operator or applicant to that respondent be paid within  
18 60 days after the last date on which the respondent should  
19 have made satisfactory payment for the petition?

20 A. Right.

21 Q. Does the Board need to establish an escrow account  
22 for this unit?

23 A. Yes, we do.

24 Q. And what tracts would that be applicable to?

25 A. Tract 4.

1 Q. And that is due to the unknown interest?

2 A. That's right. Unknown owners. Unknown and  
3 unlocateables.

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

6 A. Range Resources-Pine Mountain, Inc.

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

9 BILL HARRIS: Thank you. Questions from members of the  
10 Board?

11 KATIE DYE: Mr. Chairman, I have---.

12 BILL HARRIS: Yes, Mrs. Dye.

13 KATIE DYE: ---some questions.

14 BILL HARRIS: Yes.

15 KATIE DYE: I'm not really sure. Maybe you can explain  
16 this to Mr. Horn. On Exhibit B, you state CBM estate only  
17 and you're a 100% owner. But then on Exhibit B you have  
18 gas estate only.

19 PHIL HORN: Right.

20 KATIE DYE: And you have some unleased people in that---  
21 .

22 PHIL HORN: Yes.

23 KATIE DYE: ---and some unknowns.  
24  
25

1        PHIL HORN: We own the...yes, ma'am. Range Resources  
2 owns the CBM claim under this property and these people own  
3 the gas.

4        KATIE DYE: So, when you're speaking of gas, you're  
5 talking about conventional gas?

6        PHIL HORN: No. Coal bed methane gas.

7        KATIE DYE: I'm still not sure I understand what you're  
8 telling me here.

9        PHIL HORN: There's...Range Resources-Pine Mountain,  
10 Inc. has the deed for the coal bed methane gas from the  
11 former coal owner and these people own the natural...the I  
12 themselves. So, we're force pooling the parties that did  
13 not sign a lease and the three unknowns. This is heirship.

14        KATIE DYE: But you don't have all of the unleased  
15 listed on your Exhibit E.

16        PHIL HORN: We're doing a...we're not doing escrow of  
17 the royalty for this people. We're going to give it to  
18 them. That's why. These people on Exhibit...are I talking  
19 about on Exhibit B-3, the gas estate?

20        JIM KAISER: Yeah. What she's saying is the only people  
21 you have listed on E are the unknowns. You don't have the  
22 unleased on E. Why don't you explain why that is?

23        PHIL HORN: Because we're going to give up our claim to  
24 the coal bed methane gas of these people. They are going  
25

1 to get the royalties. If these people were known, we  
2 wouldn't have an Exhibit E.

3 KATIE DYE: Okay. That clarified that.

4 PHIL HORN: Okay.

5 KATIE DYE: I'm sorry. I just did not understand. I  
6 have one more question. On my application we don't have  
7 any signatures on the AFE. It looks like they may have  
8 just been cutoff.

9 SHARON PIGEON: Maybe that was on legal size paper or  
10 something. Do you have that, Rick, the signature page?

11 RICK COOPER: No, we do not.

12 PHIL HORN: We have a copy of a signed one here. I  
13 don't believe I have an original.

14 JIM KAISER: Can I submit this, please? I think when  
15 everything got copied it got cut off.

16 RICK COOPER: Mr. Chairman, I have one point.

17 BILL HARRIS: Yes. Mr. Cooper.

18 RICK COOPER: On the legal description on page one, it  
19 shows the Hurricane District and on the plat it shows the  
20 Prater District. Whichever one is incorrect needs to be  
21 submitted.

22 PHIL HORN: It's Prater District.

23 RICK COOPER: You've got Hurricane District on---.

24 JIM KAISER: Yeah, it should be Prater District in the  
25 Prater Quad.

1 DIANE DAVIS: Just send me a corrected one.

2 JIM KAISER: So, I'll send you a corrected one.

3 SHARON PIGEON: We need a corrected plat.

4 JIM KAISER: No, the plat is right. We just need a  
5 corrected front page. We just got the District wrong.  
6 Thank you.

7 BILL HARRIS: Any further questions?

8 (No audible response.)

9 BILL HARRIS: You may...yes.

10 SHARON PIGEON: Just to clarify what Mr. Horn responded  
11 in answer to Mrs. Dye questions, while you have a sheet in  
12 here indicating that you have a right to coal bed methane,  
13 you are not making any claim for that. Is that correct?

14 PHIL HORN: We are...we still claim the coal bed  
15 methane, but we're releasing our claim to the gas owner.

16 SHARON PIGEON: Oh, okay. I think we said the same  
17 thing there.

18 PHIL HORN: Okay.

19 BILL HARRIS: Any further questions?

20 (No audible response.)

21 BILL HARRIS: You may continue.

22 GUS JANSEN  
23 having been duly sworn, was examined and testified as  
24 follows:

25 DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Gus Jansen. I'm the manager of geology for

1 Range Resources-Pine Mountain, Inc.

2 Q. And you're familiar with the proposed  
3 exploration and development of this unit?

4 A. Yes, I am.

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

7 A. 2,096 feet.

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

10 A. 275 million cubic feet of gas.

11 Q. Are you familiar with the well costs?

12 A. Yes, I am.

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

15 A. Yes, it has.

16 Q. Was this AFE prepared by an engineering department  
17 knowledgeable in the preparation of AFEs and particularly  
18 knowledgeable in regards to well costs in this area?

19 A. Yes, it has.

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

22 A. Yes, it does.

23 Q. Could you state both the dry hole costs and  
24 completed well costs?

25 A. The dry hole costs are \$142,657 and the completed  
well costs are \$326,120.

Q. Do these costs anticipate a multiple completion?

A. Yes, they do.

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

1 A. Yes, it does.

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

6 A. Yes, it would.

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

9 BILL HARRIS: Questions from Board members?

10 (No audible response.)

11 BILL HARRIS: You may continue.

12 JIM KAISER: We'd ask that the application be approved  
13 as submitted with the revised cover page to the application  
14 to denote the correct district.

15 BILL HARRIS: And the AFE also that---.

16 RICK COOPER: We have it now.

17 JIM KAISER: The AFE is in the record, I think now.

18 BILL HARRIS: That has been...okay, fine. Thank you.

19 Do we have a motion for this---?

20 MARY QUILLEN: Motion to approve with the revision.

21 BRUCE PRATHER: Second.

22 BILL HARRIS: Okay. Any further discussion?

23 (No audible response.)

24 BILL HARRIS: All in favor, say yes.

25

1 (All members signify by saying yes, but Donnie  
2 Ratliff.)

3 BILL HARRIS: Opposed, no.

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

5 BILL HARRIS: One abstention, Mr. Ratliff. Thank you.  
6 It's approved. I was just asked about a break. So, I  
7 guess we ought to take maybe a ten minute...we'll take ten  
8 minutes.

9 (Break.)

10 BILL HARRIS: Our next item is number four. This is  
11 a...this is a petition from CNX Gas Company, LLC for  
12 disbursement of funds from escrow from Unit U-27...U-27.  
13 The docket number is VGOB-97-0218-0563-03. This item was  
14 continued from June. We'd like all parties who wish to  
15 speak to this item, please come forward.

16 MARK SWARTZ: Mr. Chairman, Mark Swartz. I would also  
17 like to bring to your attention that items five and six  
18 were also continued along with four. These have been  
19 continued now for several months. We're waiting for a  
20 disbursement to occur.

21 ANITA DUTY: No.

22 MARK SWARTZ: We're not?

23 ANITA DUTY: An overpayment.

24 MARK SWARTZ: I'm sorry, an overpayment to be dealt with  
25 on a prior order that you've made. We really can't do this

1 until that happens. I think we've talked to Mr. Cooper  
2 about it.

3 RICK COOPER: Correct. The letter just went out in late  
4 June and we've had no response. If we postpone this, I'll  
5 do a follow up with these people to see where the checks  
6 are.

7 BILL HARRIS: So, are we saying four, five and six need  
8 to be continued or---?

9 MARK SWARTZ: Correct. I think we're in agreement---.

10 RICK COOPER: Until October I think...until October.

11 BILL HARRIS: Okay, that item four we just called. Let  
12 me call five and six and indicate those docket numbers.  
13 Item---.

14 MARY QUILLEN: Did you say October?

15 RICK COOPER: Yes.

16 SHARON PIGEON: And not September?

17 RICK COOPER: Correct.

18 SHARON PIGEON: All right.

19  
20 BILL HARRIS: Okay. The item five is CNX Gas Company  
21 for disbursement of funds from escrow for U-28. That  
22 docket number is VGOB-97-0218-0564-02. That item will be  
23 continued until October. Docket number six, a petition  
24 from CNX for disbursement of funds from escrow for Unit T-  
25

1 28, Garden District. The docket number there is VGOB-97-  
2 0218-0565-02. That item will be continued until October as  
3 well. We'll move on to item number seven. This is a  
4 petition from CNX Gas Company, LLC for disbursement of  
5 funds from escrow for a portion of Tracts 1 and 1A, Unit W-  
6 20, the Garden and Hurricane Districts in Buchanan County.  
7 The docket number there is VGOB-92-0721-0240-03. We'd ask  
8 all parties who wish to speak to this item to please come  
9 forward.  
10

11 MARK SWARTZ: Mark Swartz and Anita Duty.

12 BILL HARRIS: The record will show there are no others.  
13 You may continue. I think Anita needs to get sworn.

14 MARK SWARTZ: Anita, you need to state your name for  
15 us.  
16

17 (Anita Duty is duly sworn.)  
18  
19  
20  
21  
22

23 ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

1  
2  
3 Q. Did you notice she swore you in before you  
4 gave your name?

5 A. Okay.

6 Q. Okay. So, we need your name.

7 A. Anita Duty.

8 Q. Who do you work for?

9 A. Consol Energy.

10  
11 Q. Did you participate in the preparation of  
12 this miscellaneous petition with regard to W-20?

13 A. I did.

14 Q. Okay. Did you prepare the Exhibit A-1?

15 A. Yes.

16  
17 Q. Okay. And this is a miscellaneous petition that  
18 makes a request of the Board to disburse...to make a  
19 partial disbursement from an escrow account, correct?

20 A. Yes.

21 Q. And the basis for this disbursement request is  
22 what?

23 A. A royalty split agreement.

24 Q. And is it a 50/50 agreement?

25 A. It is.

1 Q. And have you actually reviewed the...the agreement  
2 in your hand and reviewed it?

3 A. I have.

4 Q. Okay. It affects what tracts?

5 A. Tracts 1 and 1A.

6 Q. In drilling Unit W-20, is that correct?

7 A. Yes.

8 Q. And going to Exhibit A-1, did you...did I obtain  
9 account information as of a certain date?

10 A. Yes. June the 30th, 201<sup>1</sup>.

11 Q. And where did you get that information?

12 A. From the Division of Oil and Gas...Gas and Oil.

13 Q. And have you used that account information to make  
14 the calculations that are reported on Exhibit A-1?

15 A. Yes.

16 Q. Okay. And the wells contributing to this escrow  
17 account are what well or wells?

18 A. W-20.

19 Q. And who is it that you are proposing receive this  
20 disbursement?

21 A. Torch Oil and Gas Company and Malone Gibson and  
22 Cathy Diane Murray.

23 Q. Okay.

24 A. We did discover after we received the W-9 for  
25 Malone Gibson, her first name is actually Betty.

1 Q. Okay.

2 A. So, the W-9 will say Betty L. Gibson.

3 Q. Okay. And so the disbursement should actually be  
4 made to Betty L. Gibson?

5 A. Yes.

6 Q. Okay. The same person, just revise the name?

7 A. Yes.

8 Q. Okay. Could...for Ict 1, what are the percentages  
9 that the escrow agent should use in making the  
10 disbursements for each of the persons or companies  
11 receiving the disbursement?

12 A. For...this shouldn't be Torch Oil and Gas Company  
13 either. It should be Torch Operating Company.

14 Q. Okay.

15 A. I just noticed that we didn't fix that either.

16 Q. Okay.

17 SHARON PIGEON: I didn't understand what you said.

18 ANITA DUTY: It should not be Torch Oil and Gas Company.  
19 It should be Torch Operating Company.

20 Q. Okay.

21 A. For Torch Operating Company they should receive  
22 4.9804%. Betty Gibson should receive 2.4902% and Cathy  
23 Murray should also receive 2.4902% from Tract 1?

24 Q. Okay. With regard to Tract to 1A, who should  
25 receive what percentages?

1 A. Torch Operating Company 0.1002%. Betty Gibson  
2 0.0501% and Cathy Murray 0.0501%.

3 Q. And you have provided the Division with W-9s for  
4 these people?

5 A. Yes.

6 Q. Okay. And after these disbursements are made by  
7 the escrow agent, are you requesting as operator the right  
8 to pay these folks directly rather than continuing to  
9 escrow their funds?

10 A. Well, this particular account is currently paying  
11 under VP8 SGU-1. So, it may not apply to this one.

12 Q. So, you don't need that?

13 A. Right.

14 Q. Okay. All right. This is converted from a  
15 frac...an 80 acre frac unit to a sealed gob?

16 A. Yes.

17 MARK SWARTZ: Okay. That's all I have with regard to  
18 this petition.

19 BILL HARRIS: Questions?

20 SHARON PIGEON: I---.

21 BILL HARRIS: Yes.

22 SHARON PIGEON: I think I missed your testimony on  
23 whether this was a total payout on this unit or on this  
24 tract.

25 ANITA DUTY: It isn't.

1        SHARON PIGEON: It is not.

2        BILL HARRIS: Other questions?

3        SHARON PIGEON: Yes. Anita, you testified that you got  
4 this figure from the DGO. You got it from the escrow  
5 agent. Did you compare that with your payment history on  
6 your end?

7        ANITA DUTY: This is an older unit. When we did the  
8 prior disbursement we did check those balances at that  
9 point. But we did not recheck this one when we filed it.

10       SHARON PIGEON: And that's due to the age and the type  
11 of record keeping changes that have taken place?

12       ANITA DUTY: Yes. There has been no deposits into this  
13 account for I don't know how many years though.

14       SHARON PIGEON: Okay.

15       BILL HARRIS: Okay. Other questions?

16       DONNIE RATLIFF: Mr. Chairman, it doesn't have anything  
17 to do---

18       BILL HARRIS: Yes.

19       DONNIE RATLIFF: ---with the disbursement, but the plat.  
20 The company on the plat is Oxy USA.

21       ANITA DUTY: Whenever we put the plat in these  
22 applications we use the one that was in the last  
23 supplemental order.

24       DONNIE RATLIFF: It's a 1992 plat.

25       MARK SWARTZ: Correct.

1       DONNIE RATLIFF: So, that was right for the time.  
2       BILL HARRIS: Yes.  
3       MARK SWARTZ: Correct.  
4       ANITA DUTY: And like I said, we're not paying under  
5 that anymore. It's actually under the VP8 sealed gob. So-  
6 --.  
7       DONNIE RATLIFF: Okay.  
8       BILL HARRIS: But we would like a revised---.  
9       RICK COOPER: A-1.  
10      BILL HARRIS: ---A-1. We do need a revised since there  
11 were a couple name changes there. Any further questions  
12 from Board members?  
13      (No audible response.)  
14      BILL HARRIS: Anything further, Mr. Swartz?  
15      MARK SWARTZ: No.  
16      BILL HARRIS: Do we have a motion for this---?  
17      MARY QUILLEN: Motion to approve.  
18      BRUCE PRATHER: Second.  
19      BILL HARRIS: Any further discussion?  
20      (No audible response.)  
21      BILL HARRIS: All in favor, say yes.  
22      (All members signify by saying yes, but Katie Dye.)  
23      BILL HARRIS: Opposed, say no.  
24      KATIE DYE: I'll abstain.  
25      BILL HARRIS: One abstention, Mrs. Dye. That item

1 passes. Number eight, this is a petition from CNX Gas  
2 Company, LLC for reimbursement of overpayment. This is one  
3 reimbursement for overpayment of funds to the operator  
4 prior to any additional disbursements from the account and  
5 two disbursement of funds and authorization for direct  
6 payment of royalties from escrow for Tracts 2L, 2M, 2N and  
7 2P in Unit P-40, Garden District Buchanan County. The  
8 docket item number is VGOB-93-0216-0330-05. We'd like all  
9 persons who wish to speak to this, please come forward.  
10

11 MARK SWARTZ: Mark Swartz and Anita Duty.

12 BILL HARRIS: Okay. The record will show there are no  
13 others. You may continue.  
14  
15  
16  
17  
18  
19

20 ANITA DUTY

21 having been duly sworn, was examined and testified as  
22 follows:  
23

24 DIRECT EXAMINATION

25 QUESTIONS BY MR. SWARTZ:

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

2 A. Anita Duty.

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

5 A. Yes.

6 Q. Are you...were you responsible for the preparation  
7 of this miscellaneous petition?  
8

9 A. Yes.

10 Q. Did you sign it?

11 A. I did.

12 Q. And are you familiar with the math that went into  
13 Exhibit A-1?  
14

15 A. Yes.

16 Q. Okay. This petition for disbursement is a little  
17 different than what we normally see because here actually  
18 we're seeking...is seeking a reimbursement of overpayment  
19 into escrow, correct?

20 A. Correct.

21 Q. And what is the operator been doing to reduce that  
22 overpayment?

23 A. We've just been applying a credit each month  
24 internally until we actually recoup the overpayment.

25 Q. Okay. So, as---?

1 A. There's no deposits going into escrow.

2 Q. Okay. So, as months ago, the recoupment  
3 amount...as month's go by the reimbursement amount goes  
4 down because you're recouping a little bit each month,  
5 correct?

6 A. Yes.

7 Q. And to give the Board an example of what I'm  
8 talking about here, if you look at Exhibit A-1, as of June  
9 the 30th, 201<sup>1</sup> the overpayment amount that had not been  
10 recouped by the operator was what amount?

11 A. \$6,049.

12 Q. And did you run a report as of yesterday to see  
13 what the recoupment...or what the overpayment amount was as  
14 of yesterday?

15 A. Yes...yes, we did.

16 Q. And on...assuming today is the 16th. I <sup>th</sup>ink it  
17 is.

18 A. Yes.

19 Q. Okay. On the 15th of A<sup>ug</sup>ust, 2011 what was the  
20 overpayment amount adjusted for recoupments?

21 A. \$5,908.85.

22 Q. And have you brought the report with you at the  
23 request of the Division that tracts this back to the  
24 beginning of time essentially and works that payment  
25 forward?

1 A. Yes.

2 Q. And do you have that to give to---?

3 A. I do.

4 Q. ---Mr. Cooper? Okay. And is the problem with  
5 that amount, the payment out of escrow, a problem that we  
6 need someone to tell us what date it's going to occur so  
7 that we can stop recouping and we know the amount because  
8 otherwise it's going to go down every month?

9 A. Yes.

10 Q. Okay. So, with regard to our requests, you know,  
11 if you make it effective October the 1st or N<sup>ov</sup>ember the 1st  
12 or s<sup>om</sup>ething internally we can account for that so that we  
13 make sure that we're not requesting an reimbursement amount  
14 that exceeds what we're owed at that point, is that right?

15 A. That's right.

16 Q. Okay. With regard to the balance of the request  
17 here, you're also requesting after the reimbursement to the  
18 operator as of a date,---?

19 A. Yes.

20 Q. ---you're requesting disbursements to certain  
21 people that you have...and companies that you have  
22 identified on Exhibit A-1, correct?

23 A. Yes.

24 Q. Okay. And the basis for the disbursement request  
25 to the folks identified on Exhibit A-1 is what?

1 A. A royalty split agreement.

2 Q. Okay. And have you actually reviewed that  
3 agreement?

4 A. Yes.

5 Q. And what are its terms insofar as they affect the  
6 calculation on A-1?

7 A. 50/50.

8 Q. Okay. And if the reimbursement of the overpayment  
9 is made to the operator and the disbursements contemplated  
10 by this application are made, will there still be money on  
11 deposit in the escrow account for P-40?

12 A. Yes.

13 Q. So, that account would need to be maintained?

14 A. It would.

15 Q. Have you identified the wells that have  
16 contributed to this account on Exhibit A-1?

17 A. Yes. It's wells 400 and 602.

18 Q. Okay. The disburse...have you provided the  
19 Division with W-9s for the people that are going...that the  
20 proposed to receive these disbursements?

21 A. Yes.

22 Q. Okay. And what...with regard to Tract 2L, what  
23 companies and/or people are going to receive the  
24 disbursements?

25

1           A.    James McGuire Land Trust should receive 14.468% of  
2 the escrow account and Linda Eskridge should also receive  
3 14.468%.

4           Q.    And with regard to Tract 2M?

5           A.    James McGuire Land Trust should receive 3.0934 and  
6 Linda Eskridge should also receive 3.0934%.

7           Q.    Okay.  With regard to 2N?

8           A.    James McGuire Land Trust and Linda Eskridge should  
9 each receive 1.1194%.

10          Q.    And with regard to Tract 2P?

11          A.    James McGuire Land Trust and Linda Eskridge should  
12 each receive 2.388% of the escrow account.

13          Q.    And then eventually after the reimbursement of the  
14 operator for the overpayment as of a date and these  
15 disbursements to the owners that you've just discussed who  
16 have royalty split agreements, are you then requesting if  
17 there's still money going into this account, I gather there  
18 is, the opportunity to pay James M. McGuire Land Trust and  
19 Linda Eskridge directly?

20          A.    Yes.

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

22          BILL HARRIS: Okay.  Let me make sure of what you're  
23 asking.  You're asking for a date by which the full amount  
24 of overpayment is paid.  Now, that will require a check to  
25 be written back to you, I guess.

1        MARK SWARTZ: Correct.

2        BILL HARRIS: I'm not sure what procedure is in place  
3 to---

4        MARK SWARTZ: Well, the problem we have is we're 60 days  
5 behind because the royalties go in...you know, the current  
6 report is the---

7        ANITA DUTY: Is May production?

8        MARK SWARTZ: ---May production. So, as of August the  
9 15th, we <sup>w</sup>e're catching the May production. So, we need some  
10 guidance as to when can we...when do we stop recouping from  
11 production. That will then fix that.

12        BILL HARRIS: Is there a procedure in place that allows  
13 us to---

14        DIANE DAVIS: We have done overpayments before in the  
15 past but it didn't...it is...it is just a specific  
16 overpayment and then pay out royalties. But that's the  
17 only one I remember and it has been some years ago.

18        ANITA DUTY: The amount didn't change monthly like this  
19 one will.

20        DIANE DAVIS: Because I don't think they were recouping  
21 anything on that particular one.

22        ANITA DUTY: Right.

23        DIANE DAVIS: Because, you know, if you're saying June  
24 the 30th unti<sup>l</sup> August the 15th that's what a \$100...less than  
25 a \$100 in that roughly two month period. So, that will

1 take quite a while to...at that rate to pay out. So, there  
2 probably needs to be some provision to pay this out in one  
3 lump and that's what you're asking for. Is that correct?

4 MARK SWARTZ: And we've done that before. But what  
5 Diane is saying is when we've done it in the past it has  
6 been a fixed amount. It hasn't been changing month to  
7 month. So, it has been a lot...and the problem here is  
8 this...because of the accounting and the recoupment, the  
9 way it has been set up it changes slightly every month. We  
10 need to...essentially we need some guidance from you to say  
11 you can stop depositing...you can stop your recoupment in  
12 August so that the September number doesn't change. I  
13 mean, for example, and then we'll know what that number is  
14 and then that number will occur and then you'll apply the  
15 percentages.

16 DIANE DAVIS: But, again, we wouldn't know that number.  
17 You would have to tell us.

18 ANITA DUTY: But we need to know when you're going to do  
19 it.

20 DIANE DAVIS: Right. But, I mean, you can't testify to  
21 that dollar amount today as to what it would be, correct?

22 ANITA DUTY: No.

23 MARK SWARTZ: We need calc...you Id to tell us you can  
24 stop recouping as of---.

25 MARY QUILLEN: If we say September the 1st?

1        MA<sup>rk</sup> SWARTZ: Actually, for the August the 31st. So' you  
2 know, stop---

3        MARY QUILLEN: Okay, August the 31st. Ri<sup>gh</sup>t.

4        MARK SWARTZ: Because that will...then two months down  
5 the road we'll be done with that and we'll have a number  
6 that we can supply you. When that comes out, then you can  
7 apply the percentages to these people and we'll have the  
8 correct...he will all work.

9        MARY QUILLEN: Right. Right.

10       DIANE DAVIS: But we could not do this disbursement  
11 until after that?

12       MARK SWARTZ: Correct. It's going to be the wrong  
13 number. It's going to be small, but it's going to be  
14 wrong. So, we need to...we need to have it right.

15       MARY QUILLEN: I think that's the reason that we should  
16 say August the 31st. Th<sup>e</sup> sooner the better.

17       ANITA DUTY: Are we production dates?

18       MARK SWARTZ: Production. Because if you stop  
19 recouping---

20       ANITA DUTY: So, that would be the October payment?

21       DIANE DAVIS: So---

22       ANITA DUTY: Yeah.

23       MARK SWARTZ: And you will have a fixed number as of  
24 August the 31st...Se<sup>pt</sup>ember the 1st you <sup>wi</sup>ll have a fixed  
25 number because you're not going to recoup any more.

1        ANITA DUTY: Okay.

2        MARK SWARTZ: Okay.

3        BRUCE PRATHER: Is the interest---?

4        MARY QUILLEN: Is that going to be a separate motion  
5 from approving---?

6        MARK SWARTZ: It's included in here. I mean, the  
7 request is.

8        MARK SWARTZ: It's included in here. I mean, the  
9 request is.

10       MARY QUILLEN: Oh, okay. Okay, okay, okay.

11       MARK SWARTZ: Now, I think you probably---.

12       ANITA DUTY: Well, then at that point, we'll need to  
13 give them a new dollar amount because we're going to  
14 process this month and next month and---.

15       MARY QUILLEN: Right. Right.

16       MARK SWARTZ: Exactly.

17       ANITA DUTY: Before they do their disbursements.

18       BRUCE PRATHER: Is the interest what your problem is as  
19 far as---?

20       MARK SWARTZ: No, we're actually recouping a little bit  
21 from...from...of the overpayment. We have an opportunity  
22 to recoup from somebody that would otherwise receive the  
23 funds. That's...is that what happened.

24       ANITA DUTY: We're just tracking...since I've  
25 overpaid...it looks in 2006 there was an overpayment of

1 about \$24,000. So, since then we've been...each instead of  
2 paying, we've just been subtracting that off of the  
3 overpayment of \$24,000. So, it looks like we've, I guess--  
4 -.

5 BRUCE PRATHER: So, you're getting it now to the point  
6 to where you can almost---?

7 ANITA DUTY: Almost start paying into escrow again.

8 BRUCE PRATHER: Yeah. Stop the paying and start paying  
9 it like it was a new royalty owner without the interest and  
10 all of that other stuff being involved?

11 MARK SWARTZ: Correct.

12 SHARON PIGEON: How did you discover that you had  
13 overpaid this account?

14 ANITA DUTY: We...there was a repooling in 2005. When  
15 they went into reset it up they realized that because of  
16 the mapping changes that there was an overpayment. This  
17 would have been back when ILM used to handle our royalty  
18 payment, a third party administrator. They have given  
19 us...we had like a rework of the unit and they were showing  
20 the old versus new and net. I mean, we've got all the old  
21 information from them. And the ones that came in-house we  
22 just continued to track it where they left off.

23 BILL HARRIS: So, we need a motion that would designate  
24 a date to you...August the 31st was <sup>su</sup>ggested at which we  
25

1 would freeze...well, we would determine the overpayment  
2 amount.

3 MARK SWARTZ: The recoupment would stop as of  
4 that...from that...from the August production, correct.

5 BILL HARRIS: And then the escrow agent would write a  
6 check, is that correct?

7 DIANE DAVIS: They would---.

8 MARK SWARTZ: We would report the number. The escrow  
9 agent would write a check to the operator for that number--  
10 -.

11 BILL HARRIS: For that overpayment.

12 MARK SWARTZ: ---and that would be followed then by the  
13 escrow agent disbursing under the split agreements as  
14 indicated in A-1.

15 BILL HARRIS: The amount that due at that time?

16 MARK SWARTZ: Right.

17 BILL HARRIS: Now, you're saying the two months---.

18 ANITA DUTY: And then once that happened we---.

19 BILL HARRIS: Yeah. Explain again about the two months.  
20 I know that...you're saying that you're two months in terms  
21 of reporting.

22 MARK SWARTZ: The royalty payment into escrow lags the  
23 production...the actual production. So, what we're cutting  
24 off really is the August the 31st prod<sup>uc</sup>tion is the last  
25 month that they will be a recoupment against that. That

1 will occur sometime in October. That's why...you...it's 45  
2 days---

3 MARY QUILLEN: Because there's a lag time between that  
4 and when it...the transaction takes place.

5 MARK SWARTZ: Did you say May is...May is the one that  
6 you're working on now?

7 MARK SWARTZ: May is in the August number that we gave  
8 them, right, the production?

9 BRUCE PRATHER: Yeah. So, when you went to August it  
10 would be three or four months from now?

11 BILL HARRIS: Yeah, that's what he's saying.

12 ANITA DUTY: The May production was processed in July.  
13 So, then June is going to be processed this month. And  
14 then July will be---

15 BRUCE PRATHER: Yeah. Right.

16 ANITA DUTY: So, it's going to be the October payment  
17 that we're going to stop.

18 BILL HARRIS: Is everyone clear on what's happening and  
19 what we---?

20 ANITA DUTY: And the only reason that we did this was  
21 because Ms. Eskridge...I mean, we tried to explain this  
22 situation to her and we were trying to work out something  
23 with Mr. Asbury before he left and finally we just came to  
24 the decision on how we needed to handle it. So, if it  
25 wasn't for that, we'd probably just continued to do it the

1 way we did. But she just wanted her month. So, that's...I  
2 me...so, we're not trying to say we want...you...we want  
3 our...we needed it because of her and that's the reason  
4 that we're doing it this way.

5 MARK SWARTZ: And to make a disbursement to her, we had  
6 to clear this up.

7 BILL HARRIS: Clear it up, yes.

8 MARY QUILLEN: That's right.

9 ANITA DUTY: Yeah.

10 BILL HARRIS: Okay. Okay, then, I'll entertain a motion  
11 that reflects that discussion.

12 MARY QUILLEN: Motion to approve with the deadline for  
13 recoupment of August the 31st.

14 BR<sup>UC</sup>E PRATHER: I assume there will be a notification to  
15 Diane about when this thing ends and it starts again as to  
16 the new royalty figures.

17 DIANE DAVIS: She will notify us of the dollar amount,  
18 which would have to be probably October or early November.  
19 My only question or comment would be is someone needs to  
20 let Ms. Eskridge that her disbursement will not take place  
21 until probably November then. Right?  
22 Since it's CNX's overpayment, I suggest that Anita contact  
23 her.

24 ANITA DUTY: I've talked to her enough. No, I'm just  
25 kidding. We're fine with that.

1       MARK SWARTZ: Well, I guess...I guess, really, you know,  
2 just to remind everyone, she got notice of this hearing  
3 today.

4       DIANE DAVIS: Right.

5       MARK SWARTZ: So, I mean, she had...we'll let her know.  
6 But, I mean, she had an opportunity to be here today.

7       ANITA DUTY: She will call and ask what happened at the  
8 hearing. So---.

9       BILL HARRIS: Well, but again out of courtesy I think it  
10 would be good if you all would let her know. I think that  
11 would---

12       ANITA DUTY: We will let her know.

13       MARK SWARTZ: Right. We won't keep it a secret.

14       SHARON PIGEON: We would actually like for you to notify  
15 her in writing and provide us a copy of that letter so we  
16 can have that in our file.

17       MARK SWARTZ: Just drop her a note. That's easy.

18       BILL HARRIS: Okay. Now, we have a motion, but we  
19 didn't have a second for that.

20       BRUCE PRATHER: I'll second it.

21       BILL HARRIS: Okay. So, does everyone understand  
22 what...the way that's set up? Okay, any further  
23 discussion?

24       (No audible response.)

25       BILL HARRIS: All in favor, say yes.

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

2 BILL HARRIS: Opposed, say yes or no, I'm sorry.

3 KATIE DYE: I'll abstain.

4 BILL HARRIS: Okay. One abstention, Mrs. Dye. Okay,  
5 fine. We'll take care of that. And, again, we should  
6 receive a copy of that letter. Okay, good. We'll move  
7 along then. Item nine, a petition from CNX Gas Company,  
8 LLC for disbursement of funds from escrow and authorization  
9 of direct payments of royalties for Tracts 2A, 2N and 2O,  
10 Unit EE-38, Maiden Springs District in Tazewell County.  
11 The docket number is VGOB-02-0521-1029-03. We'd ask all  
12 parties who wish to speak to this item please come forward.

13 MARK SWARTZ: Mark Swartz and Anita Duty.

14 BILL HARRIS: There are no others. You may proceed.

15 MARK SWARTZ: Before we start, I need to point to the  
16 Board we've had some discussions with Diane before we  
17 started today...on break today. We have...we're still  
18 awaiting a W-9 from Charles Walter Boyd. He's on the list  
19 of folks to receive a disbursement under 2A...Tract 2A on--  
20 -.

21 BILL HARRIS: That's on Exhibit A-1 that we have.

22 MARK SWARTZ: Correct.

23 BILL HARRIS: Do we have that? Okay. And what was the  
24 name again.

25 MARK SWARTZ: His name is Charles Walter Boyd.

1           BILL HARRIS: Boyd.

2           MARK SWARTZ: And he's represented by Shea...attorney  
3 Shea Cook. Anita tells me she has been in touch with him  
4 for roughly a month about this. We understand that he's  
5 trying to get a W-9, but he hasn't been successful. The  
6 solution to this that we discussed with Diane, but I need  
7 to share it with you because if you're not comfortable with  
8 it then we probably need to continue this. But since there  
9 are other people involved here who would like to receive  
10 their money, what we're proposing would be to eliminate the  
11 disbursement to Charles Walter Boyd because, you know, the  
12 escrow agent is not going to make a disbursement without a  
13 W-9. The alternative, I guess, to eliminating him from the  
14 disbursement request for that reason would be just to  
15 continue this...this whole thing. I'll sort of leave that  
16 to your discretion. I mean, we're comfortable with  
17 eliminating him. But I didn't want to---

18           BILL HARRIS: I...I think---

19           BRUCE PRATHER: Has he been notified that he needs this?

20           ANITA DUTY: Well, we received all of those except for  
21 the Charles Boyd. Mr. Cook told me that he has had some  
22 difficulty getting in touch with them. So, he has given us  
23 all of the others. That's the only one that he has not  
24 been able to get.

25

1           MARY QUILLEN: And you're suggesting that he just be  
2 eliminated from this and we could go ahead and proceed  
3 today or---?

4           MARK SWARTZ: Yes.

5           MARY QUILLEN: ---carry it...to carry it forward to  
6 next month?

7           MARK SWARTZ: That's sort of the choice.

8           MARY QUILLEN: And it seems like we're penalizing all of  
9 these other people---.

10          MARK SWARTZ: I agree. That's why we're---.

11          MARY QUILLEN: ---because of his negligence and I would  
12 suggest that we eliminate him from this disbursement and  
13 move forward---.

14          MARK SWARTZ: That would be our preference as well.

15          MARY QUILLEN: ---and pay these people.

16          BRUCE PRATHER: Do we have any indication that he will  
17 be bringing this thing forward within this next month?

18          ANITA DUTY: Well, it was actually a Court  
19 order---.

20          BRUCE PRATHER: Oh.

21          ANITA DUTY: ---for a CBM---.

22          MARY QUILLEN: I mean, that's just negligence.

23          ANITA DUTY: ---ownership. So, I would think that he  
24 would. But we can just revise the A-1 to remove him, but  
25 go ahead with our---.

1        SHARON PIGEON: Does Mr. Cook represent all of these  
2 folks?

3        MARY QUILLEN: Okay. You can do that.

4        ANITA DUTY: He does not represent Sylvia Byrd. But he  
5 represents the others. Not Coal Mountain, of course.

6        MARK SWARTZ: We're going to have the same issue in  
7 number eleven just to sort of alert. The same person is in  
8 number eleven. We don't need to talk about it now. But  
9 it's going to be the same issue.

10       BRUCE PRATHER: Yeah.

11        (Off record discussion regarding the sound system.)

12       MARK SWARTZ: Well, we'll...we'll proceed on that basis  
13 with that then.

14       BILL HARRIS: Yeah, I think it's appropriate to exclude  
15 that person from this disbursement. What we will do...now,  
16 you will come before us again with the---

17       MARK SWARTZ: If he ever comes up with his W-9.

18       BILL HARRIS: Assuming he...okay...okay, then fine.  
19 Yeah.

20       MARY QUILLEN: It would just be a new...a reimbursement  
21 order.

22       MARK SWARTZ: correct.

23       BILL HARRIS: I think we're comfortable with that.

24       MARY QUILLEN: Yes.

25       BILL HARRIS: Okay, you may proceed then.

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ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Okay, Anita, state your name for us, again.

A. Anita Duty.

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

A. Yes.

Q. Okay. Did you with regard to the disbursement request from the escrow account for EE-38 either prepare or supervise the preparation of this petition?

A. Yes.

Q. And you actually signed the petition?

A. Yes.

Q. And did you give notice to counsel and the...Mr. Shea Cook and people subjected to disbursement in advance of the hearing?

A. Yes.

Q. Okay. By mail?

A. We did.

1 Q. And as usual, you're going to file your  
2 certificates of mailing---?

3 A. Yes.

4 Q. ---with the Division, if you haven't already?

5 A. Yes.

6 Q. Okay. This is from which tracts, this  
7 disbursement?

8 A. 2A, 2N and 2O.

9 Q. Okay. The disbursement request that you're making  
10 is as of a consequence of what?

11 A. Tracts 2A and 2O are for a Court order.

12 Q. Okay.

13 A. And 2N is just a royalty split agreement.

14 Q. Okay. And with regard to the Court order, have  
15 you seen that order?

16 A. I have.

17 Q. Okay. And with regard to the split agreement,  
18 have you seen the split agreement?

19 A. Yes.

20 Q. And is the split agreement a 50/50 agreement?

21 A. Yes.

22 Q. And have you used the Court order and a split  
23 agreement to do the math on Exhibit A-1?

24 A. Yes.

25

1 Q. The account balance that you're using is it as of  
2 what date?

3 A. June the 30<sup>th</sup>, 201<sup>1</sup>.

4 Q. And where did you get that balance?

5 A. From the First Bank and Trust spreadsheet.

6 Q. Okay. And that came by the Division I take it?

7 A. Yes.

8 Q. Okay. And as of that date, what was the balance  
9 on deposit?

10 A. \$278,104.65.

11 Q. And if you look at the disbursements that you're  
12 requesting here, it's pretty obvious that there's going to  
13 be a significant balance even after these disbursements are  
14 made and that the account needs to remain in place,  
15 correct?

16 A. Yes.

17 Q. Okay. The wells that were contributing this  
18 account?

19 A. EE-38 and EE-38A.

20 Q. Okay. Has there been a prior disbursement  
21 approved?

22 A. Yes. In June...June the 14<sup>th</sup> hear<sup>in</sup>g Tracts 2T and 3  
23 were approved previously.

24 Q. Okay. And you noted that you subtracted those  
25 from the total amount in escrow---?

1 A. Yes.

2 Q. ---to your math?

3 A. Yes.

4 Q. Okay. With regard to Tract...strike that. Have you  
5 received W-9s from almost everyone?

6 A. Yes.

7 Q. Okay. Who's the person that you have yet to  
8 receive a W-9 from?

9 A. Charles Walter Boyd.

10 Q. Okay. And have we discussed with the Board at the  
11 outset today the option of removing him from the Exhibit A-  
12 1?

13 A. Yes.

14 Q. And is that something that you're prepared to do  
15 and think is a good idea?

16 A. Yes.

17 Q. Okay. So, will you provide the Board with a  
18 revised Exhibit A-1 that deletes Charles Walter Boyd from  
19 the...from the equation?

20 A. Yes.

21 Q. Okay. And then with that in mind, who would  
22 receive the proposed disbursement from Tract 2A?

23 A. Carol Asher...Ash or Asher. Hold on, let me just  
24 check. Yeah, it's Asher. Carol Asher will...well, each one  
25 of them is going to receive the same. So, Carol Asher,

1 Linda Dunbar, Freda Thomas and James Boyd would each  
2 receive 1.65% of the escrow account.

3 Q. Okay. And because that's a result of a Court  
4 order, Coal Mountain would not receive a payment, correct?

5 A. Correct. And Mr. Cook would ask that these  
6 payments actually get mailed to him. So, he wanted me to  
7 put that on---.

8 Q. In care---?

9 A. In care of him.

10 Q. Okay. The checks would be made payable to the  
11 folks who provided the W-9s, but the escrow agent should  
12 actually mail the checks to Mr. Cook?

13 A. Yes.

14 Q. Okay. With regard to Tract 2N, who would receive  
15 the payments?

16 A. Coal Mountain Mining should receive 0.004% and  
17 Sylvia Byrd should also receive 0.004%.

18 Q. Okay. And that's a split agreement, correct?

19 A. Yes.

20 Q. And then with regard to 20, who should receive the  
21 payments and what percentages should be used?

22 A. Robert Cordle should receive 13.5562% of the  
23 escrow account and that should...that one should also be  
24 made...sent in care of Mr. Cook.

25

1 Q. Okay. And with regard to 20, Coal Mountain,  
2 because again we've got a Court order with regard to Tract  
3 20, Coal Mountain would receive 0?

4 A. Correct.

5 Q. Okay. Does this need to be a phased disbursement?  
6 Do we need to wait for the June disbursement or are  
7 accounted for that in your math?

8 A. No. The disbursement approved in June should  
9 occur before this because...because the percentages would be  
10 wrong.

11 Q. Okay. And after this disbursement occurs, the one  
12 that we're on...here on today, okay, is the operator  
13 requesting an ability...well, actually as of today, is the  
14 operator requesting an ability to pay these people on  
15 Exhibit A-1 as modified directly?

16 A. Yes.

17 Q. Okay. And, again, just to repeat, the account  
18 needs to stay open?

19 A. Yes.

20 Q. You've provided the Board with revised Exhibits E  
21 and EE to indicate the changes that would occur if this  
22 application was approved?

23 A. Yes.

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

25 BILL HARRIS: Any questions from Board members?

1           SHARON PIGEON: I am a little confused here. On the  
2 reconciliation sheet, you said you got the numbers from the  
3 bank, I believe. Did you compare those to CNX's record of  
4 payment into the account?

5           ANITA DUTY: No.

6           SHARON PIGEON: So, you don't know what you've paid  
7 into that account as far as this is concerned?

8           ANITA DUTY: I mean, we...I can do that.

9           SHARON PIGEON: Well, you used to previously testify  
10 regularly that you did that.

11           ANITA DUTY: Well, I did up until the point that I  
12 could no longer get the information from the bank. Once I  
13 stopped getting that, I can't...I mean, I've got to have two  
14 like things to compare in order to know that I'm  
15 reconciling. So, I can't get that report anymore. So, I  
16 can't say that I'm doing that. I can look at what we...what  
17 we have deposited and see if it comes close to the amount  
18 that's there, but I can't reconcile between the DGO and us.

19           SHARON PIGEON: Well, I think we need that information  
20 because you've just come to us and asked for a recoupment  
21 of an overpayment, you know. Down the road, are you going  
22 to potentially tell us that this was an overpayment? I'm  
23 not comfortable with you just telling me what the bank  
24 figures are without input from your side of it and  
25 particularly---

1           MARK SWARTZ: Well, we know what we paid. We can't  
2 account for the bank's figures. That's the problem. We're  
3 not...Anita, are we getting what we used to get from the  
4 banks?

5           ANITA DUTY: No.

6           MARK SWARTZ: And without their deposit...the bank's  
7 deposit records, we have nothing to compare our  
8 deposits...what we think deposited into, correct?

9           ANITA DUTY: I mean, I go and say, did we deposit three  
10 hundred and some thousand, but I mean that doesn't take  
11 into consideration prior disbursements or anything when we  
12 look at what we paid. But before I was get...I could get  
13 them to give me information from prior deposits, but I  
14 don't get that anymore.

15           SHARON PIGEON: Is that something that we could remedy  
16 because this seems like a missing piece?

17           DIANE DAVIS: Yes,

18           SHARON PIGEON: I mean, we're not doing a  
19 reconciliation. We're accepting---

20           ANITA DUTY: Right. I mean, I---.

21           MARK SWARTZ: We can't because there's was a  
22 point...strike that. Was there a point in time at which the  
23 Division stopped giving you historical deposit information  
24 from the bank?

25           ANITA DUTY: Yes.

1           MARK SWARTZ: And as of that point in time, you were  
2 not capable of making the comparison that you had been  
3 making.

4           ANITA DUTY: Right.

5           MARK SWARTZ: Was it...did we have discussions with  
6 regard to the...with the Division about getting that  
7 information?

8           ANITA DUTY: I had spoke to Mr. Asbury about it.

9           MARK SWARTZ: On numerous occasions, correct?

10          ANITA DUTY: Yes.

11          MARK SWARTZ: And since...and since the time we  
12 were...strike that. Was the change to simply getting a one  
13 page piece of paper this was the balance on a date?

14          ANITA DUTY: Right. Yes.

15          MARK SWARTZ: So, that's what we're...that's what we're--  
16 -.

17          ANITA DUTY: That's when we changed the way that  
18 I...because I can't say that I've done that because I  
19 haven't. So, at the time that we quit getting that  
20 information I stopped testifying to that.

21          MARY QUILLEN: I have a question, Mr. Chairman. Does  
22 the Gas and Oil Division office get a statement from the  
23 bank with the deposits listed?

24          DIANE DAVIS: I think where our problem has come in is  
25 we always got a statement monthly even when it was Wachovia

1 and all of the predecessors each month and each VGOB number  
2 showed a balance...beginning balance...a deposit, interest and  
3 ending balance at a minimum. When they transferred the  
4 money...if I'm not mistaken, when we transferred the account  
5 from Wachovia to First Bank & Trust, somebody can correct  
6 me if I'm wrong here, we had a period of time there, a  
7 month or two, where they were doing the transfer where you  
8 did not get that data. So, you had your last report over  
9 here under Wachovia and then when First Bank & Trust took  
10 it over they got a beginning balance. You know, it was a  
11 lump sum deposit. So, to say that we do not have balances  
12 going back, we do have. We have those spreadsheets that  
13 show beginning deposits and so forth for every month except  
14 for that one period of time through the transition. So,  
15 I'm not real sure...maybe I'm not following the picture, but  
16 I think that if CNX said from January of 1998 until January  
17 of 2000 you could pull the January of 2000 Wachovia  
18 statement and see what the deposits were. We would have a  
19 short period of time in there of which we could not  
20 determine the monthly deposits. I'm I not correct? I  
21 mean, that's what you used prior to that.

22 ANITA DUTY: Before I was able to get a...an electronic  
23 Excel spreadsheet saying this is the dates and this is the  
24 deposit amount.

25 DIANE DAVIS: Right.

1        ANITA DUTY: But I was told that I was...I was even told  
2 that I was not allowed to contact Debbie Davis directly.  
3 That I was not allowed to ask her to do---.

4        DIANE DAVIS: Who told you that?

5        ANITA DUTY: ---an electronic...anything extra. That it  
6 wasn't my account. So, I had to---.

7        BILL HARRIS: No.

8        DIANE DAVIS: Right.

9        MARY QUILLEN: I believe that we request that from  
10 First Bank & Trust. I mean, that to me doesn't make sense.

11       ANITA DUTY: But they have historical data from the  
12 beginning of time?

13       DIANE DAVIS: No. No, they do not have historical data  
14 from the beginning of time.

15       ANITA DUTY: So, this...if this account was established  
16 2002, I need---.

17       DIANE DAVIS: But we have---.

18       ANITA DUTY: ---to know deposits from each month that  
19 we deposited on their side.

20       SHARON PIGEON: You don't have records on your end?

21       ANITA DUTY: I do.

22       MARK SWARTZ: We do. We have ours.

23       ANITA DUTY: We do.

24       DIANE DAVIS: And we have it on our end. You just have  
25 to manually do it.

1           ANITA DUTY: But in order to reconcile I have to---.

2           DIANE DAVIS: I mean, it's not something---.

3           SHARON PIGEON: Well, I think a reconciliation here  
4 requires that we put these numbers together and not that we  
5 just say this is what they say is in there. I'm a little  
6 uncomfortable.

7           MARK SWARTZ: I agree.

8           ANITA DUTY: I completely---.

9           MARK SWARTZ: The problem is, you know, we were told  
10 we're not giving you that information anymore. When that  
11 happened, Anita changed her testimony. I mean, we started  
12 testifying where did you get this number, which is what at  
13 some point provoked your thinking about it and your  
14 question because we went from did you compare the deposits  
15 the bank logged to the royalty payments that you made and  
16 how did they compare? We did that for a long time, you  
17 know. Then I would say, when you compared them, did they  
18 agree or were they different, you know, because that's  
19 really what needs to happen.

20           SHARON PIGEON: Right.

21           MARK SWARTZ: Then there was a point in time that was a  
22 good while ago when we no longer had an ability to make  
23 that comparison because we did not have bank deposit data  
24 provided to us. We knew what we paid, but so what. You  
25 know, I guess if we paid...you know, let's look at this

1 account. If we thought we paid a half a million dollars  
2 and there have been no disbursements and the bank saying  
3 two seventy, I mean, we could make a judgment that there  
4 was something traumatically---.

5 ANITA DUTY: Right.

6 MARK SWARTZ: ---wrong. But, you know, if our payments  
7 are within \$20,000 or \$30,000, we know there have been bank  
8 fees...I mean, we can't...we can't account for that. I agree  
9 with you. But, you know, unless...the answer was we're not  
10 giving you the information that we've been giving you in  
11 the part and don't call the bank.

12 DIANE DAVIS: I...I'm not aware of that.

13 MARK SWARTZ: We're not saying you said that.

14 DIANE DAVIS: I know. I'm just saying I'm not aware of  
15 that.

16 ANITA DUTY: I'm just saying...I---.

17 BILL HARRIS: Yes. What do we need to do to rectify  
18 that because apparently you're not getting the information  
19 currently.

20 ANITA DUTY: Well, I think the reasoning behind why he  
21 told me not contact them directly because it's not our  
22 account. So, anything that was requested to Debbie or  
23 anything like that needed to go through the Division office  
24 to make sure everybody is aware of what we're doing.

25

1        MARY QUILLEN: I understand that part of it. Yeah.  
2 Right.

3        ANITA DUTY: I mean, I think that is what the reasoning  
4 was behind it.

5        BRUCE PRATHER: But the Board is reasonable for that  
6 account and we can---

7        ANITA DUTY: Right. And we as the operator can't  
8 just---

9        BRUCE PRATHER: ---request that they give that to you.

10       MARY QUILLEN: Right.

11       MARK SWARTZ: Right. And we need that.

12       MARY QUILLEN: Yeah, I agree.

13       ANITA DUTY: But I think it was getting to the point  
14 where they were going above and beyond what they were---

15       BILL HARRIS: Contracted.

16       ANITA DUTY: ---contracted to do and things like that.  
17 So, I think that came into it too. So, I'm just---

18       MARY QUILLEN: Well, I think that we need to have a  
19 conversation to find out exactly what...with---

20       SHARON PIGEON: We may need a change order if we have a  
21 problem contractually.

22       DIANE DAVIS: They cannot do the history for them.  
23 That will have to come from a report previously filed by  
24 Wachovia.

25       BILL HARRIS: Yeah. That's---

1        DIANE DAVIS: First Bank & Trust can only go back  
2 to---

3        MARY QUILLEN: Right.

4        DIANE DAVIS: ---the beginning balance that was  
5 transferred into each of these sub accounts.

6        MARY QUILLEN: Right.

7        DIANE DAVIS: That's all the history they have forward,  
8 okay.

9        MARY QUILLEN: Exactly. Exactly. But you need it  
10 before that transition.

11       DIANE DAVIS: Prior to that, it would have to be these  
12 reports that were filed by Wachovia on a month by month  
13 basis.

14       MARK SWARTZ: Well, we need both and we weren't getting  
15 either recently.

16       BRUCE PRATHER: So---?

17       MARY QUILLEN: So, you didn't get any from of the  
18 Wachovia the last...what period from---?

19       MARK SWARTZ: When we would previously come here and I  
20 would ask Anita have you made a comparison of the bank  
21 deposits to the royalty payments, okay,---.

22       MARY QUILLEN: Right.

23       MARK SWARTZ: ---we actually had the bank deposits to  
24 compare the royalty payment and we don't...we don't---.

25

1        MARY QUILLEN: What...what...what year was that? I mean,  
2 when was that that happened?

3        MARK SWARTZ: From day one. I mean, if we started  
4 producing a unit fifteen years ago, we had the bank  
5 deposits.

6        MARY QUILLEN: But when...okay, when did that end that  
7 you had that information. You were saying something about  
8 2002 and then said something about 2007?

9        MARK SWARTZ: I'm guessing that we have not been able  
10 to make an actual reconciliation...I'm guessing it has been a  
11 year.

12       ANITA DUTY: Or more.

13       MARK SWARTZ: Or more.

14       MARY QUILLEN: Okay, so basically...basically when we  
15 started with First Bank & Trust, is that right?

16       MARK SWARTZ: When did you start with them?

17       ANITA DUTY: Well, the problem is the historical data.

18       MARY QUILLEN: Because we've been with them a little  
19 over a year.

20       MARK SWARTZ: Maybe that's when it started.

21       BRUCE PRATHER: Yeah.

22       MARK SWARTZ: Is that...is that---?

23       ANITA DUTY: Well, now, we do get those individual  
24 sheets every month from them---.

25       MARY QUILLEN: Uh-huh.

1        ANITA DUTY: ---that shows that deposit. But the  
2 problem is we have...we have about fifteen sets of books that  
3 covers like the First Virginia...what's the bank from the  
4 beginning?

5        DIANE DAVIS: First Virginia.

6        MARY QUILLEN: Well, see, they would not have any  
7 control over that part. That...all of that historical data  
8 prior to going with First Bank & Trust you all have on file  
9 in the...in your office.

10       MARK SWARTZ: One would hope.

11       MARY QUILLEN: Yeah.

12       ANITA DUTY: Well, then she was saying that I would  
13 manually go and look at those. So, I...I mean, I guess---.

14       SHARON PIGEON: You would and not her.

15       DIANE DAVIS: No, ma'am.

16       ANITA DUTY: Well, I mean, if I get it...if you provide  
17 it to me I can do that. I don't have a problem---.

18       SHARON PIGEON: You don't have a record of what you're  
19 paying?

20       MARK SWARTZ: No. We're not the account holder.

21       ANITA DUTY: We know what we paid.

22       SHARON PIGEON: Don't you have a canceled check? I'm  
23 not talking about what you're paying.

24       MARK SWARTZ: We know what we've paid. But that  
25 doesn't do us again.

1           ANITA DUTY: I have to be able to compare two like  
2 things in order to reconcile what we paid and what they---.

3           BRUCE PRATHER: The bank won't give it to them because  
4 you're not the part of record.

5           MARY QUILLEN: That's right. I understand that and  
6 that's the way it should be.

7           DIANE DAVIS: And we do have the spreadsheets out there  
8 that we can put out there and you can access them to  
9 simplify it. As a matter of fact, I just was telling  
10 someone...we talked with Mr. Lambert. We're going to try to  
11 put those out on the website, all of the Wachovia, all of  
12 the First Union and they will be there month by month.

13           SHARON PIGEON: We need to address that. Not this up  
14 for that, but we need to address that. That's---.

15           MARK SWARTZ: Absolutely.

16           MARY QUILLEN: Yeah.

17           SHARON PIGEON: I have another question. I'm confused  
18 a little here...by the numbers here...oh, okay, I've got it  
19 now. It's all right. I'm unconfused on that. That's the  
20 end of my questions.

21           BILL HARRIS: Well, I'm not sure whether we should  
22 proceed then. If we're going to get that information  
23 though, do we need to just go ahead and proceed with this?  
24 What's your...I know you said that you were not---.

25

1           SHARON PIGEON: I...I think you should go ahead and  
2 proceed with this, but I do think that we need to revise  
3 this process.

4           BILL HARRIS: The process, yes. I was unaware that you  
5 were not getting that data after the transfer. I know  
6 there was a transition period there and I remember that we  
7 discussed that during the transition that toward the end of  
8 one contract and the beginning of the next with two  
9 agencies that there was a grey area there that some  
10 information was not available.

11           MARK SWARTZ: Well, see, if we had the information that  
12 was available Anita could testify that I compared...made the  
13 comparison and I've got an agreement with all but two  
14 months and the order of magnitude is X, you know, and we  
15 could give you an answer, you know. I mean...but the problem  
16 we have is we know what we paid, but we have nothing to  
17 compare it to in a meaningful way. I think we need to get  
18 back into a position where we have something meaningful to  
19 compare it to.

20           MARY QUILLEN: Right.

21           BILL HARRIS: So, as far as this particular item  
22 then---.

23           MARK SWARTZ: Well, the problem is we've got a bunch of  
24 these on the docket today. I mean, we get a balance. We  
25 don't get an opportunity right now. So, I mean, if you're

1 going to forward with this, there are several more that  
2 we're going to have the same issue.

3 BRUCE PRATHER: I mean, if we approve it, won't we  
4 compare the error?

5 ANITA DUTY: Well, I mean, we...we do look to see if we  
6 have deposited close to the balance.

7 BRUCE PRATHER: Yeah.

8 SHARON PIGEON: You did do that?

9 ANITA DUTY: I did do that. But we cannot say...if you  
10 look at it and said there are disbursements prior to that  
11 or---.

12 BILL HARRIS: Dollar for dollar.

13 ANITA DUTY: ---anything like that. Our records don't  
14 know that.

15 MARY QUILLEN: Right. So, they are those charges plus  
16 the interest that would---.

17 ANITA DUTY: And that's nowhere...I mean, that's what we  
18 don't know.

19 MARY QUILLEN: Exactly. And so that could be that  
20 variance between what you have. I mean, are...are these what  
21 you have had are they close?

22 ANITA DUTY: Yes.

23 MARY QUILLEN: Is there any...there's no big  
24 discrepancies?

25 ANITA DUTY: No.

1           MARY QUILLEN: I feel comfortable moving forward if  
2 they were just, you know, small amounts that...which would  
3 take into consideration the interest that was earned plus  
4 the charges for the...maintaining the account.

5           ANITA DUTY: Well, a lot of times any big differences  
6 you can look and see that there were disbursements. So---.

7           MARY QUILLEN: Right. Uh-huh. Sure.

8           BRUCE PRATHER: Well, I think the Board would have the  
9 ability to get the information from First Bank. You know,  
10 we could make sure that they give you this information.

11          MARK SWARTZ: Right.

12          BILL HARRIS: And also didn't we...don't we have some  
13 folks that are working to reconcile---?

14          DIANE DAVIS: Yeah, but that's just a recollection  
15 number.

16          ANITA DUTY: I mean, where do they get their  
17 information to reconcile our payments against deposits?  
18 Where do they...do they have an electronic file that they are  
19 comparing our information to?

20          DIANE DAVIS: They do have it. I don't know how many  
21 years back or what yet. I can't...I'm not going to sit here  
22 and say.

23          ANITA DUTY: I mean, is that...we could use the same  
24 thing that they're using. If they have---.

25          DIANE DAVIS: Well...but I---.

1           ANITA DUTY: I mean, we've had this...I had this  
2 discussion with David before.

3           DIANE DAVIS: Well, I really think that if we got this  
4 quarterly reports out there, they're going to be using  
5 basically the same thing. These monthly reports out there  
6 that showing the beginning and ending balance plus the  
7 minus disbursements. If we can get them posted on out on  
8 the website you pretty well---

9           ANITA DUTY: I mean, we could use the same thing  
10 they're using. That's exactly what we need really.

11          MARK SWARTZ: Well, the beginning and ending balance is  
12 not going to get us what we need.

13          DIANE DAVIS: No, but it---

14          ANITA DUTY: No, but she is saying they have  
15 individual---

16          DIANE DAVIS: That's all you can show on your deposits  
17 is has deposits, the beginning balance and the deposits for  
18 the month. It will have deposits.

19          MARK SWARTZ: Oh, deposits. Okay, because you  
20 weren't...okay, as long it shows the deposits---

21          DIANE DAVIS: Yes.

22          MARK SWARTZ: ---in a month we're good to go because we  
23 can compare that.

24          MARY QUILLEN: Right. Yeah.

25          DIANE DAVIS: And it does. It does. I mean---

1           MARK SWARTZ: Right.

2           ANITA DUTY: Even before what...are you saying even  
3 before First Bank or---?

4           DIANE DAVIS: Yeah, even with the Wachovia...you know,  
5 yeah. Some of them are electronic, but some of them are  
6 paper copies and that's the problem. I'm going to go back  
7 and see here and see how far back.

8           ANITA DUTY: Okay.

9           RICK COOPER: But, again, we propose to put this on our  
10 website so it would be easily accessed. We've got someone  
11 working on that. We should have that done before the next  
12 Board meeting.

13          BILL HARRIS: Okay.

14          SHARON PIGEON: Excellent.

15          DONNIE RATLIFF: So, Mr. Chairman, if you will have all  
16 of that straightened out by the next Board meeting we don't  
17 need the contract?

18          DIANE DAVIS: No.

19          RICK COOPER: No, we're just posting the information  
20 for access.

21          DONNIE RATLIFF: Oh.

22          SHARON PIGEON: (Inaudible).

23          BILL HARRIS: So, I guess that leaves us with still...I  
24 guess, we need to entertain a motion of how to deal with  
25 this then. Is there any other discussion about the

1 information that we do have in front of us? I guess, the  
2 validity of that...I guess, we...in the past I think that...and,  
3 of course, we can't always go on historical. But in the  
4 past the balances have been the same. Did you all ever  
5 encounter a case where there were some discrepancies?

6 MARK SWARTZ: We've had a couple of cases---

7 ANITA DUTY: Yeah.

8 MARK SWARTZ: ---where they didn't balance.

9 ANITA DUTY: Well, then when you mentioned the P-40,  
10 this is actually one where we have the big gigantic  
11 spreadsheet. So, this one we were able to...this one has  
12 been done. But this one has been done a few years back and  
13 just carried forward. But we have the information at the  
14 information that we did this one, you know, the big  
15 spreadsheet that you used to see for P-40.

16 BILL HARRIS: So, the potential pitfalls are  
17 overpayment or under payment. An under payment we could  
18 probably correct. An overpayment---

19 MARK SWARTZ: Well, and what's happened when we've  
20 compared it in the past, we have discovered that we  
21 have...there have been instances where the operator has sent  
22 a royalty payment to one of the banks and when we go look  
23 at the escrow account for the unit that we made the  
24 payment, it's short. We get with the bank and we get into  
25 the records and we determine that the bank got the money,

1 but they put it in some other escrow account. So, I mean,  
2 there are opportunities for mistakes. They don't happen  
3 very often, frankly. I mean, you know, our...when we had the  
4 records and we did it for a long time where we could  
5 actually make the comparison, most of the time it was no  
6 problem. But occasionally there was the kind of problem  
7 that I'm describing, you know. That's...that's why you do a  
8 reconciliation, you know. But there was a point, and it  
9 has been a while, you know, whether it's a year or longer  
10 where we stopped being provided with that information. You  
11 know, Anita and I had discussion about that and we had to  
12 change the way we testified, you know, because we were no  
13 longer making a comparison and she came...and I would to say  
14 to her where did you get that number because we didn't  
15 have...we didn't have---

16 MARY QUILLEN: Well, the Board...this is the first time  
17 that we have heard this.

18 MARK SWARTZ: Oh, I...I guess, I'm not surprised. You  
19 know, this is---

20 MARY QUILLEN: And so we weren't aware of this. But I  
21 really...I am confident that this can be resolved because  
22 I---

23 MARK SWARTZ: Oh, absolutely.

24 MARY QUILLEN: ---confident that First Bank & Trust  
25 will provided this.

1           MARK SWARTZ: My perception wasn't that it was the  
2 bank's problem. I mean, we had some your...my way or the  
3 highway issues over the last few years, Anita and I, with  
4 the Commonwealth infrastructure, okay. This is one of  
5 those examples where we were just told this is...this is the  
6 way it's going to be and some of those issues we have  
7 brought to your attention. I'm not sure you understood the  
8 background, but we have...and some of them, you know, we  
9 haven't in a direct sort of way. But this is important and  
10 I think we need to...we need to do it the right way---

11           MARY QUILLEN: It's extremely important. I feel  
12 like---

13           MARK SWARTZ: ---instead of the convenient way.

14           MARY QUILLEN: Yeah. But I feel like the Board has  
15 contracted with First Bank & Trust and my perception of  
16 those folks to this point has been that they have provided  
17 anything that we have asked them to provide.

18           MARK SWARTZ: We didn't sense it was a bank problem.

19           MARY QUILLEN: And so...but I believe that...I think...I'm  
20 confident that this could be resolved and they could send  
21 you...I mean, for anybody.

22           BILL HARRIS: Or at least it would be available from  
23 the...from the office.

24           BRUCE PRATHER: Yeah.

25

1           MARK SWARTZ: Well, and if there's that one or two  
2 month problem that Diane is describing---

3           MARY QUILLEN: Right.

4           MARK SWARTZ: ---where the records didn't catch up,  
5 we'll be able to focus in on that and look at that period.

6           DIANE DAVIS: Here is an example, which...I mean, this  
7 isn't the whole sheet, but each individual one back in the  
8 olden days...I mean, you're going to have to do work. It's  
9 not going to be dumped on you, but it is there and it  
10 always has been. There's your beginning balance and  
11 there's your deposits and there's your ending balance and  
12 there's your interest.

13          ANITA DUTY: And that's fine. But, I mean, it may have  
14 always been there, but it has not always been available.

15          BILL HARRIS: Available to you, yes.

16          DIANE DAVIS: Okay. But it is there for you.

17          MARK SWARTZ: I mean, we don't get statements from the  
18 escrow agent on a monthly basis.

19          SHARON PIGEON: We haven't had everything on line like  
20 that.

21          DIANE DAVIS: It is there, okay. We---.

22          ANITA DUTY: Well, I mean, just like with the First  
23 Bank & Trust spreadsheets, if you all don't send them to  
24 us...I mean, we weren't allowed to get them emailed to us  
25 directly from Debbie Davis for whatever reason.

1        DIANE DAVIS: Right. I will admit that.

2        ANITA DUTY: So, if you all do not email them to us we  
3 don't get them.

4        DIANE DAVIS: But you ask for them every month.

5        ANITA DUTY: We do.

6        DIANE DAVIS: Okay. We can take care this part of it.

7        RICK COOPER: So, if we put that on the---?

8        ANITA DUTY: I'm saying we have...we can't directly  
9 contact Debbie and ask her to do anything. So, that's just  
10 where I'm at.

11       RICK COOPER: If we put that on the website, we've  
12 eliminated that problem.

13       ANITA DUTY: Yes. Then the only problem we have is  
14 historical. So, if you're going to put historical on there  
15 too, then---.

16       RICK COOPER: We're working towards that.

17       MARY QUILLEN: And if everything is...you know, the  
18 historical would be available, then I think that would  
19 resolve the problem.

20       RICK COOPER: Correct.

21       DIANE DAVIS: It won't make it easy.

22       ANITA DUTY: I don't...we don't mind doing any work.  
23 We're not saying that.

24       DIANE DAVIS: It won't make it easy. Okay.

25

1       BILL HARRIS: Okay. I guess we need to move forward  
2 then. We'll just...and what we will do, of course, is ask  
3 that if there are some discrepancies that you all do come  
4 before the Board and take care of those in the future, yes.

5       MARK SWARTZ: Like we did in the past, right.

6       MARY QUILLEN: Right.

7       BILL HARRIS: Yes. Okay. Is that satisfactory to the  
8 Board?

9       MARY QUILLEN: Yes.

10       BILL HARRIS: Is there any further testimony that you  
11 have or any further questions?

12       MARK SWARTZ: Not on EE-38.

13       BILL HARRIS: Do we have a motion from the Board  
14 concerning this item?

15       MARY QUILLEN: Motion to approve with a revised Exhibit  
16 A-1 deleting Charles Walter Boyd due to his missing W-9 and  
17 it will be presented to the Board once that W-9 has been  
18 received.

19       BILL HARRIS: Okay. Do we have a second for that  
20 motion?

21       DONNIE RATLIFF: Second.

22       BILL HARRIS: Okay. Any further discussion?

23       (No audible response.)

24       BILL HARRIS: All in favor of the motion, say yes.

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

1        BILL HARRIS: Opposed, say no.

2        KATIE DYE: I'll abstain.

3        BILL HARRIS: Fine. One abstention, Mrs. Dye. Thank  
4 you. We will move on to item number eleven.

5        MARY QUILLEN: Number ten?

6        BILL HARRIS: Where am I getting off track. I'm trying  
7 to...okay, I'm sorry, folks. We'll move on to number ten,  
8 this item is a petition from CNX Gas Company, LLC for  
9 disbursement of funds from escrow and authorization of  
10 direct payment of royalties for a portion of Tract 2, Unit  
11 AY-119, New Garden District, Russell County, Virginia. The  
12 docket number is VGOB-03-0513-1149-02. We'd ask all  
13 parties that wish to speak to this item, please come  
14 forward. If you would identify yourself and I would  
15 imagine that you would need to be sworn in as well.

16        MARK SWARTZ: Mark Swartz and Anita Duty.

17        COURT REPORTER: And your name, please.

18        ELLA RUTH COOK: I'm Ella Ruth Cook.

19        COURT REPORTER: I'm sorry?

20        ELLA RUTH COOK: Ella Ruth Cook.

21        BILL HARRIS: Ella Ruth Cook.

22        (Ella Ruth Cook is duly sworn.)

23

24

25

1 ANITA DUTY

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

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. SWARTZ:

6 Q. Anita, state your name for us, please.

7 A. Anita Duty.

8 Q. I'll remind you that you're still oath.

9 A. Yes.

10 Q. Did you either prepare or supervise the  
11 preparation of this miscellaneous petition?

12 A. Yes.

13 Q. And did you sign it?

14 A. Yes.

15 Q. And did you sign it?

16 A. Yes.

17 Q. What did you do to notify people named in this  
18 petition that there was going to be hearing today with  
19 regard to disbursements?

20 A. I mailed by certified mail return receipt  
21 requested on July the 15<sup>th</sup>.

22 Q. Okay. Did you mail to Ms. Cook, for example?

23 A. Yes.

24

25

1 Q. Have you brought with you your certificates with  
2 regard to publ...with regard to mailings so you can file them  
3 with the Division?

4 A. Yes.

5 Q. Okay. Is this a request for a complete  
6 disbursement of an entire escrow account or just a piece of  
7 it?

8 A. Just a piece.

9 Q. Okay. This pertains to what tracts?

10 A. Tract 2.

11 Q. Okay. Is it...is it based on a royalty split  
12 agreement?

13 A. Yes.

14 Q. Have you actually seen that agreement?

15 A. I have.

16 Q. Is it a 50/50 agreement?

17 A. Yes.

18 Q. And have you used that agreement to assist you in  
19 preparing Exhibit A-1?

20 A. Yes.

21 Q. Okay. Exhibit A-1 states that as of...it pertains  
22 to an account balance as of a date certain, correct?

23 A. Yes.

24 Q. What was that date?

25 A. June the 30<sup>th</sup>, 201<sup>1</sup>.

1 Q. And the balance on that date in the escrow account  
2 was what amount?

3 A. \$9,497.99.

4 Q. And where did you get that number?

5 A. From the Division of Gas and Oil.

6 Q. Okay. And it was a bank balance that they  
7 provided you as of that date?

8 A. Yes.

9 Q. Okay. And have you then used the split agreement  
10 and the acreage information from the prior pooling order  
11 and any supplements thereto to quantify the disbursements?

12 A. Yes.

13 Q. And have you shown those on Exhibit A-1?

14 A. Yes.

15 Q. And what is the well that's contributing to this  
16 account?

17 A. A-119.

18 Q. And if this disbursement request is approved, is  
19 the operating requesting the right and ability to pay the  
20 folks identified here directly in the future as opposed to  
21 escrowing their funds?

22 A. Yes.

23 Q. Okay. Who...who are you proposing receive the  
24 disbursements?

25

1 A. Swords Creek Land Partnership. Do you want me to  
2 do it individually?

3 Q. Sure.

4 A. They should receive a total of 0.0796%. Ella Ruth  
5 Cook should receive 0.0145%, Ralph Reedy 0.0145%, Beulah  
6 Brown 0.0145%, Roger Brown 0.0097%, Danny Brown 0.0097%,  
7 Angela Bane 0.0097% and Sandra Hess 0.0072%.

8 Q. And at the time the disbursement is made, should  
9 the escrow agent use the percentages as opposed to the  
10 dollar amounts?

11 A. Yes.

12 Q. And basically the total disbursement here is  
13 roughly \$15 that you're talking about?

14 A. Yes. Yes.

15 Q. And there's how much in the account, again?

16 A. \$9,497.99.

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

18 BILL HARRIS: Any questions from Board members?

19 (No audible response.)

20 BILL HARRIS: Okay. Ms. Cook, did you have some  
21 questions or comments?

22 ELLA RUTH COOK: Were you all going to disburse all of  
23 the names listed there?

24 MARK SWARTZ: Yes.

25

1       ELLA RUTH COOK: Okay. Because I was wanting my  
2 brother his disbursed too.

3       BILL HARRIS: Is he listed there?

4       ELLA RUTH COOK: Sir?

5       BILL HARRIS: Is your brother listed there that you  
6 were asking about?

7       ELLA RUTH COOK: Yes. Ralph D. Reedy is my brother.

8       MARK SWARTZ: Oh, okay.

9       BILL HARRIS: So, he is...he is on the list and he would  
10 be included the disbursement.

11       ELLA RUTH COOK: Okay. Thank you.

12       MARY QUILLEN: Ms. Cook, you could just stay there  
13 because you have another one coming up.

14       ELLA RUTH COOK: Yeah, I'm next. I'm twelve.

15       BILL HARRIS: Yeah, it you wanted to stay.

16       MARK SWARTZ: Okay. Just hang in there. We'll be  
17 there shortly.

18       BILL HARRIS: Okay. Other questions?  
19 (No audible response.)

20       BILL HARRIS: I'll entertain a motion.

21       MARY QUILLEN: Motion to approve.

22       BRUCE PRATHER: Second.

23       BILL HARRIS: All in...other questions?  
24 (No audible response.)

25       BILL HARRIS: All in favor, signify by saying yes.

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

2 BILL HARRIS: Opposed, no.

3 KATIE DYE: I'll abstain.

4 BILL HARRIS: One abstention, Mr. Dye. Thank you, that  
5 is approved. We'll move onto number eleven. I'm confused  
6 here. Number eleven, that's a petition from CNX Gas  
7 Company, LLC for disbursement of funds from escrow and  
8 authorization for direct payment of royalties for Tract 1C,  
9 unit FF-38, Maiden Springs District, Tazewell County,  
10 Virginia. The docket number on that is VGOB-03-1021-1207-  
11 04. We'd like all parties that wish to speak to that,  
12 please come forward.

13 MARK SWARTZ: Mark Swartz and Anita Duty.

14 BILL HARRIS: And, Ms. Cook, you're here for that as  
15 well, okay.

16 MARY QUILLEN: No, she's...she's here for number twelve.

17 BILL HARRIS: She's listed on number twelve, okay.  
18 Strike that. I guess there are no others for that item.  
19 So, you may proceed.

20 MARK SWARTZ: Okay. Earlier I had indicated that we  
21 were going to have the same problem with the W-9 in this  
22 application. Anita and I have just gone through it and  
23 that gentleman that was in number nine that we were waiting  
24 for a W-9...docket item nine that we was waiting for his W-9.

25

1 He is actually not in this unit. So, we don't have that  
2 problem here.

3 MARY QUILLEN: Right. I noticed that.

4  
5 ANITA DUTY

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

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. SWARTZ:

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

11 A. Anita Duty.

12 Q. Okay. And who do you work for?

13 A. Consol Energy.

14 Q. And did you either prepare or supervise the  
15 preparation of this miscellaneous petition and the  
16 exhibits?

17 A. Yes.

18 Q. And did you sign the application?

19 A. Yes.

20 Q. And did you mail to the folks named in the  
21 application?

22 A. We did.

23 Q. Okay. And have you brought with you to file with  
24 the Division those records?

25 A. Yes.

1 Q. Okay. Is this a complete disbursement or a  
2 partial?

3 A. Partial.

4 Q. And what is it based on?

5 A. A Court order.

6 Q. Okay. And as a result of that Court order, one  
7 person is going to receive a 100% of the money, correct?

8 A. Yes.

9 Q. Okay. Did you do an Exhibit A-1 and do the math?

10 A. Yes.

11 Q. Okay. This shows an account balance as of a date  
12 ascertain, correct?

13 A. Yes.

14 Q. What was that date?

15 A. June the 30<sup>th</sup>, 201<sup>1</sup>.

16 Q. And what was the total amount in this escrow  
17 account on that date?

18 A. \$33,934.08.

19 Q. And where did you get that number?

20 A. From the Division of Gas and Oil.

21 Q. Okay. And that's the number you used to prepare  
22 this exhibit?

23 A. Yes.

24 Q. And who was to receive the proposed disbursement  
25 from Tract 1C?

1 A. Robert Cordill. He should receive 4.8602%.

2 Q. Okay. And---?

3 A. And this is another one that needs to be mailed in  
4 care of Shea Cook.

5 Q. Okay. And this is another one where because it's  
6 a Court order, Coal Mountain had a claim but they are not  
7 receiving any of the disbursement, correct,---?

8 A. Correct.

9 Q. ---because the order resolved that issue?

10 A. Yes.

11 Q. And we've got...we've also...this is a situation where  
12 we had a disbursement approved in June of this year,  
13 correct?

14 A. Yes.

15 Q. And that...that needs to occur before this one  
16 occurs?

17 A. Yes.

18 Q. Okay. And if this disbursement request is  
19 approved with regard to FF-38, Tract 1C, are you requesting  
20 that the operator be allowed to pay Mr. Cordle directly in  
21 the future?

22 A. Yes.

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

24 BILL HARRIS: Questions from members of the Board?

25 (No audible response.)

1       BILL HARRIS: Do you have anything further?  
2       MARK SWARTZ: No, I do not.  
3       BILL HARRIS: I'll entertain a motion for this item.  
4       MARY QUILLEN: Motion to approve.  
5       BRUCE PRATHER: Second.  
6       BILL HARRIS: Okay. Any further discussion?  
7       (No audible response.)  
8       BILL HARRIS: All in favor, say yes.  
9       (All members signify by saying yes, but Katie Dye.)  
10      BILL HARRIS: Opposed, say no.  
11      KATIE DYE: I'll abstain.  
12      BILL HARRIS: One abstention, Mrs. Dye. Thank you that  
13 item is approved. We'll move on to item twelve, a petition  
14 from CNX Gas Company, LLC for disbursement of funds from  
15 escrow and authorization of direct payment for royalties  
16 for a portion of Tracts 2A and 2G, Unit AY-120, New Garden  
17 District, Russell County, Virginia. The docket number is  
18 VGOB-04-0615-1296-03. We'd ask all parties who wish to  
19 speak to this item, please come forward.  
20      MARK SWARTZ: Mark Swartz and Anita Duty.  
21      BILL HARRIS: Okay. And, Ms. Cook, you're here for  
22 that item?  
23      ELLA RUTH COOK: Yes.  
24      BILL HARRIS: Okay. The record will show that Ms. Cook  
25 is here for that item as well. You may proceed.



1 Q. And does it provide for a 50/50 split?

2 A. Yes.

3 Q. Okay. And it pertains to Tracts 2A and 2G, is  
4 that correct?

5 A. Yes.

6 Q. And after the proposed disbursement is made will  
7 the escrow account need to be maintained because there will  
8 still be funds in it?

9 A. It will.

10 Q. Have you...did you prepare an Exhibit 1A to do the  
11 math?

12 A. Yes, but we have revision.

13 Q. Okay.

14 (Revised exhibits are passed out.)

15 Q. Okay, with regard to the revisions, Anita, do we  
16 have a revised Exhibit A-1?

17 A. Yes.

18 Q. And revised Exhibit E and EE?

19 A. Yes.

20 Q. And the E and EE would reflect the state of  
21 affairs if the escrow disbursement was approved?

22 A. Correct.

23 Q. Okay. With reference to the revised escrow  
24 calculation, first of all, is it as of a particular date  
25 and, if so, what is that date?

1 A. June the 30<sup>th</sup>, 201<sup>1</sup>.

2 Q. And what was the balance on deposit in the escrow  
3 account as of that date?

4 A. \$52,791.17.

5 Q. And where did that number come from?

6 A. From the Division of Gas and Oil.

7 Q. Okay. It's obvious from the disbursement requests  
8 here there will be a substantial amount on deposit even  
9 after these disbursements were made?

10 A. Yes.

11 Q. Okay. Who was...who is it that you are proposing  
12 receive disbursements under this miscellaneous petition?

13 A. Swords Creek Land Partnership and they should  
14 receive 6.2624% of Tract 2A. Ella Ruth Cook and Ralph  
15 Reedy should each receive 3.1312% of Tract 2A.

16 Q. And with regard to 2G?

17 A. Swords Creek Land Partnership should receive  
18 0.1602% and the Ella Cook should receive 0.0801% and Ralph  
19 Reedy should also receive 0.0801%.

20 Q. And the well that was contributing to this escrow  
21 account is which well?

22 A. AY-120.

23 Q. And if this disbursement is approved, are you  
24 requesting that the operator be allowed to pay these folks  
25 directly?

1           A.    Yes.

2           MARK SWARTZ:   That's all I have.

3           BILL HARRIS:   Any questions from Board members?

4           (No audible response.)

5           BILL HARRIS:   Ms. Cook, did you have any questions?

6           ELLA RUTH COOK:   No.

7           BILL HARRIS:   Again, your brother is included in that

8 payout.   That was the question that you had before, okay.

9           ELLA RUTH COOK:   Yes.  He was going to come, but he got

10 sick.

11          BILL HARRIS:   Okay.  Well, we'll go---.

12          SHARON PIGEON:   Well, we were going to give him his

13 money anyway.

14          ELLA RUTH COOK:   Well, great.  I'm going to head back

15 to West Virginia now.

16          BILL HARRIS:   Okay.  Well, thank you and have a safe

17 trip going back.

18          ELLA RUTH COOK:   Thank you all.

19          BILL HARRIS:   Okay.  Thank you all.

20          MARK SWARTZ:   Thank you, ma'am.

21          BILL HARRIS:   I guess we will entertain a motion for

22 this.

23          MARY QUILLEN:   Motion to approve.

24          BRUCE PRATHER:   Second.

25          BILL HARRIS:   Any further discussion?

1 (No audible response.)

2 BILL HARRIS: All in favor, say yes.

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

4 BILL HARRIS: Opposed, say no.

5 KATIE DYE: I'll abstain.

6 BILL HARRIS: One abstention, Mrs. Dye. Fine, that  
7 item was approved. Number thirteen was withdrawn. So, I  
8 presume, do we just need to move on and keep going?

9 RICK COOPER: At least one more.

10 BILL HARRIS: At least one more? We will have a quorum  
11 after...if we do take lunch, are we going to have---?

12 MARY QUILLEN: Depending on how long these are going to  
13 take.

14 SHARON PIGEON: You'll have a quorum even if she  
15 leaves.

16 BILL HARRIS: We'll still have one, okay. We'll move  
17 on to item number fourteen on the agenda...on the docket. A  
18 petition from CNX Gas Company, LLC for modification of the  
19 Nora coal bed Gas Field Rules to allow for the drilling of  
20 an additional well or wells in units H-73 to...through H-76,  
21 173 through...I'm sorry, I-73 through I-76, J-73 through J-  
22 76, M-70 through M-72, N-70 through N-72 and O-71, Buchanan  
23 County, Virginia. The docket number is VGOB-89-0126-0009-  
24 76. We'd ask all parties who wish to speak to this item,  
25 please come forward.



1 Q. Okay. Did you prepare the notice of hearing and  
2 application with regard to the modification of the Nora  
3 Rules or supervise the preparation of those documents?

4 A. Yes.

5 Q. And did you sign both the notice and the  
6 application?

7 A. I did.

8 Q. And the goal of this application is to modify the  
9 Nora coal bed Gas Field Rules order to allow for infill  
10 drilling in some additional units that are actually  
11 identified individually in the notice and the petition,  
12 correct?

13 A. Yes.

14 Q. Did you mail notice of this hearing to anyone?

15 A. Yes.

16 Q. To all of the people on the...in the two portion of  
17 the notice of hearing?

18 A. Yes.

19 Q. When did you do that?

20 A. July the 15<sup>th</sup>, 201<sup>1</sup>.

21 Q. Did you publish this one?

22 A. Yes. In the Bluefield Daily Telegraph on July the  
23 25<sup>th</sup>, 201<sup>1</sup>.

1 Q. And when you published, did the Nora Field  
2 Modification Map that's Exhibit A-1 get published in the  
3 paper?

4 A. Yes.

5 Q. Okay. And have you brought with you your  
6 certificates with regard to mailing and your proof of  
7 publication from the newspaper to file those with the  
8 Division today?

9 A. Yes.

10 Q. Okay. Do you want to add anybody to the list of  
11 respondents?

12 A. No.

13 Q. Do you want to dismiss anyone?

14 A. No.

15 Q. Okay. In addition to providing the Exhibit A-1 to  
16 the application and the notice, have you also given the  
17 Board today sort of a colored map of...shown in blue the  
18 units that we're going to be talking about today for  
19 infilled?

20 A. Yes.

21 Q. And in green, what have you shown?

22 A. An area that was previously approved.

23 Q. For infilling drilling?

24 A. Yes.

25

1 Q. Okay. And just looking quickly at the green area,  
2 does it look like there are some situations there where you  
3 actually have multiple...you've drilled multiple wells in  
4 those units?

5 A. Yes.

6 Q. For example, M-74?

7 A. Yes.

8 Q. And O-75, another example?

9 A. Yes.

10 Q. Okay. Have you as required by the regulations and  
11 rules also provided a state plain description of the  
12 boundaries of these two modifications?

13 A. We have.

14 Q. And those are both set forth in the application,  
15 is that correct?

16 A. Yes.

17 Q. And with regard to the particulars that you're  
18 requesting...you're requesting with regard to the blue area,  
19 you're requesting the opportunity to drill a second well in  
20 each of those Nora units?

21 A. Yes.

22 Q. And with regard to the location of that well,  
23 historically, what is it that you have agreed to do with  
24 regard to the location of the second well on an infill  
25 drilling?

1 A. No closer than 600 feet.

2 Q. Okay. And actually in the proposed provisions of  
3 orders sought, you're indicating that the second well would  
4 have to be in the window?

5 A. Yes.

6 Q. And could not be any closer than 600 feet to the  
7 first well?

8 A. Yes.

9 Q. And you're...that's your request with regard to this  
10 order if it's approved?

11 A. It is.

12 MARK SWARTZ: Okay. That's all I have with regard to  
13 Anita.

14 BILL HARRIS: Questions from Board members?

15 MARY QUILLEN: I have just one question. These wells  
16 it appears that none of these...well, the first well hasn't  
17 been drilled in any except J-74 and J-75. Is that correct?

18 ANITA DUTY: Yes.

19 MARY QUILLEN: And it's outside the window on J-75, is  
20 that correct?

21 ANITA DUTY: Well, J-75 looks like proposed.

22 MARY QUILLEN: I'm sorry?

23 ANITA DUTY: J-75 is just proposed at this point. It's  
24 red.

25

1        MARY QUILLEN: Oh, okay. Okay, it's proposed. It has  
2 not been---?

3        ANITA DUTY: No. And I don't know if it's even been  
4 permitted or anything like that. So, there would be an  
5 exception if that one---

6        MARY QUILLEN: Oh, okay.

7        ANITA DUTY: ---were to be approved.

8        BRUCE PRATHER: One well?

9        MARY QUILLEN: So, just one well in this whole---?

10       ANITA DUTY: Yes.

11       MARY QUILLEN: Both of these two. Okay.

12       BRUCE PRATHER: I've got a question.

13       BILL HARRIS: Yes, Mr. Prather.

14       BRUCE PRATHER: Is there any reason as to why...well, I  
15 do see two wells up there to the north that (inaudible)  
16 drilling unit. Is there any reason why you haven't drilled  
17 additional wells in the ones that are already prior  
18 approved? I mean, it's...what have you got two or three  
19 wells in this whole group in here that has been prior  
20 approved?

21       ANITA DUTY: It's a mining issue.

22       BRUCE PRATHER: Pardon?

23       ANITA DUTY: Mining issues.

24       BRUCE PRATHER: Oh, okay. Okay.

25       MARY QUILLEN: Okay.

1       RICK COOPER: Mr. Chairman, just to let you know, J-75  
2 is a drilled well.

3       SHARON PIGEON: The red dot is a drilled well?

4       RICK COOPER: Is drilled, yes.

5       MARY QUILLEN: It is drilled?

6       RICK COOPER: Yes.

7       MARY QUILLEN: Okay.

8       SHARON PIGEON: So, a location exception was granting  
9 in the permitting process?

10      RICK COOPER: Correct.

11      ANITA DUTY: It was. Sorry.

12      BILL HARRIS: Other questions?

13      (No audible response.)

14      BILL HARRIS: Do either of you have questions of...?  
15 Yes.

16      BOB BLANKENSHIP: I've got a question on J-75 that  
17 you're talking about. Where...where is it in relation to  
18 this map?

19      MARY QUILLEN: It's right here in this blue. Where  
20 there is a red dot...do you see a red dot?

21      BILL HARRIS: Yeah, the large map. Yeah.

22      SHARON PIGEON: There you go. That one. That big  
23 exhibit, which we need to mark.

1        BILL HARRIS: Yes. We do need to mark that Exhibit. I  
2 think it's marked AA already. So, we just need to make  
3 reference to that.

4        MARY QUILLEN: Exhibit AA.

5        BILL HARRIS: And the 30 acre infill, which we have not  
6 yet discussed, that will be Exhibit BB. We'll move that as  
7 BB. Sorry, Mr...yes.

8        BOB BLANKENSHIP: I've got a...I've got a question on  
9 this right here. All...both of us are named in this. My son  
10 is named in it. I'm going to represent him here. He owns  
11 54 acres. I've got an 80 acre tract. He has got like a  
12 70 acre tract up here. On his, nothing has been leased or  
13 anything. They're up there surveying and proposing wells  
14 on it, but they're not going to put on there. Mine, we've  
15 had some disputes up here and they're going to stop.  
16 They're not going to put anything more on mine if I can  
17 stop it. They've got two wells on my property now and  
18 they're...it appears to me that they're headed in the  
19 direction of all of these people. They're line stops at  
20 mine right now. We've got some other issues that we've got  
21 to work out.

22        BILL HARRIS: Where are you located? I know you asked  
23 about---.

1       BOB BLANKENSHIP: I'm in Belcher's Fork of Harman at  
2 614. Those wells are...one of them is in behind my cemetery  
3 that we've got some issues with.

4       BILL HARRIS: I guess what I'm asking is in terms of  
5 the location, you mentioned J-75, but have you been able to  
6 identify your---.

7       BOB BLANKENSHIP: I just didn't know where it was  
8 located at. But---.

9       BILL HARRIS: Have you been able to locate that?

10       BOB BLANKENSHIP: Yeah. No...well, he has located it on  
11 this. But in relation to this small map---

12       BILL HARRIS: Yeah.

13       BOB BLANKENSHIP: ---I don't know where that would be.

14       SHARON PIGEON: The shaded areas are the two blue areas  
15 on the big map.

16       BOB BLANKENSHIP: Okay.

17       BILL HARRIS: The green, yeah, indicates what---

18       BOB BLANKENSHIP: That's not close to me then, okay.

19       MARY QUILLEN: J-75 you're saying---?

20       BOB BLANKENSHIP: Yeah.

21       MARY QUILLEN: ---is not your property?

22       BOB BLANKENSHIP: No.

23       MARY QUILLEN: Okay.

24       JERRY BLANKENSHIP: I have an issue.

25       BILL HARRIS: Yes.

1       JERRY BLANKENSHIP: This ribbon here, it's 2N71SH2 as  
2 in toward N71SH. This is at the beginning of my property.  
3 N71SH is on beyond my property.

4       BOB BLANKENSHIP: It's probably on my son's property.

5       JERRY BLANKENSHIP: They have gone...CNX I found out have  
6 gone like every 50 foot around my property from this  
7 2N71...2N71 with stakes and put ribbons like every 50 feet.  
8 I own like six tenths of a mile around the old Clintwood  
9 Coal seam strip bench. They've gone like every 50 feet and  
10 put ribbons up toward this. I have no agreement with CNX.  
11 They have caused me a great amount of grief with these  
12 ribbons. I've been in contact with Alpha Resources where  
13 they're in that neighborhood. I've been in contact with  
14 VDOT and the Buchanan County IDA. I did not know who put  
15 these ribbons. They had no permission. I understand that  
16 if CNX's property adjoin my they could survey.

17       BILL HARRIS: Yeah, I was going to ask if that's  
18 adjoining property, but---

19       JERRY BLANKENSHIP: No, this is right in the middle of  
20 my property going around the strip bench...the old strip  
21 bench on the Clintwood Coal seam. They---

22       MARY QUILLEN: Well, is your property located on these-  
23 --?

24       JERRY BLANKENSHIP: I am in the neighborhood of N71 or  
25 O71. I'm not sure.

1           MARY QUILLEN: N71 or O71?

2           JERRY BLANKENSHIP: Yes. I'm thinking because this is  
3 N...this is N71 here. I don't know if I'm in O71 or what it  
4 is. But I'm in the proximity of O71. Like I said, they  
5 have caused me a great amount of grief to find out who has  
6 been in my property with no agreement and no contact with  
7 me. I don't know whether I would have given them  
8 permission or not if they had contacted me, which they did  
9 not. With a property boundary, sure they would have had a  
10 right to survey it. They should have contacted me, but  
11 they did not. Like I said, I have caused...been caused a  
12 great amount of grief trying to find out...I first accused it  
13 on Alpha because they are mining in the neighborhood and I  
14 couldn't get...they said it wasn't them. Obviously, it  
15 wasn't them. This was before I even got this map from CNX  
16 and a letter. I've been to a lot of people trying to find  
17 out who it is. I'm responsible for these people if they  
18 get hurt on my property and I don't want that. Just as you  
19 people would not want them pillaging through your house, I  
20 do not want them on my property. They had no permission.  
21 Thank you.

22           BOB BLANKENSHIP: Are we to understand that what  
23 they're proposing here is all of the deep wells now?  
24 They're going to come back and...like I say, I've got three  
25 wells on my property now for the coal bed methane. If they

1 come back and drill a well beside of these and go on  
2 through here that they're to be deep well...deep gas  
3 proposals when they're not paying to start with CNX come  
4 and their agent told us, hey, you'll be getting a check  
5 monthly from this and then all of a sudden it goes to  
6 escrow. I tried not to lease them...the gas on this. I  
7 said, I don't own that gas. That coal...oh, yeah, you own  
8 the gas. But then once they get their wells drilled and  
9 then come up there, smart talk that land owner, which is a  
10 terrible mistake and tell you basically after you've signed  
11 this contract that you don't have no more rights. But they  
12 forgot to look behind them. They was thinking about  
13 putting four more wells on that side over there that they  
14 didn't have bought yet and now they're not going to put one  
15 foot of pipe on mine if I can prevent or anything else for  
16 that matter.

17 MARY QUILLEN: Well, now, this petition for coal bed  
18 methane.

19 BOB BLANKENSHIP: So, they're not...where they're wanting  
20 to go to these names and they're not wanting to drill for  
21 gas...for deep gas?

22 MARY QUILLEN: No. These particular ones are for coal  
23 bed methane.

24 BOB BLANKENSHIP: Okay.

25 MARY QUILLEN: That's in the coal seam.

1           BOB BLANKENSHIP: All right. So, they...the last two  
2 wells that is drilled by CNX or three is at my property.  
3 That's where...that's where their gas line stops. Now, they  
4 wanted to go on down the road. They've got many issues  
5 over there with people...like I say, all of the entire  
6 neighborhood was watching to see what happened with the  
7 land owners. I'm sure they know Everett and Givens Delaney  
8 because we've been here before and there is disputes with  
9 theirs. They tried in the last few days to get another  
10 well drilled on the Delaneys up there. They offered them  
11 \$2500. They said if they offered them a \$100 they still  
12 wouldn't get it. I'm the gatekeeper for the Delaneys,  
13 which is...their properties adjoin mine. There's some  
14 serious issues before they do anything more on either one  
15 of these or my sons or his father-in-law or anybody that's  
16 around us in there.

17           BILL HARRIS: Well, you know, again, before the drill  
18 on your property, there would have to be some type of an  
19 agreement.

20           BOB BLANKENSHIP: A contract or---.

21           BILL HARRIS: Yes.

22           BOB BLANKENSHIP: They at least have to permit  
23 everything that they're doing. They tried to tell me that  
24 they don't have to permit it. They had the right to do it  
25 anyway. But---.

1        MARY QUILLEN: Now, who told you this?

2        BOB BLANKENSHIP: Huh?

3        MARY QUILLEN: Who told you this?

4        BOB BLANKENSHIP: CNX Gas representative, Chris  
5 somebody.

6        ANITA DUTY: Branch?

7        BOB BLANKENSHIP: Branch, I believe, yeah. Said  
8 they've already got a right to do whatever they want to do  
9 up there, but it's in behind my cemetery. Like I---.

10       BRUCE PRATHER: If they have...if they have the minerals  
11 under lease they've got---.

12       BOB BLANKENSHIP: We tried to work it out where they  
13 could---.

14       BRUCE PRATHER: Well, that's usually the way it's done.

15       BOB BLANKENSHIP: Yeah.

16       BRUCE PRATHER: If they've got the minerals under lease  
17 and you own---.

18       MARY QUILLEN: They do.

19       BRUCE PRATHER: ---the surface and they come in and  
20 disturb your surface, then you should get damages for that.

21       BOB BLANKENSHIP: Exactly right. We tried to---.

22       BRUCE PRATHER: If not...if not take them to Court.  
23 That's your only alternative.

24       BOB BLANKENSHIP: We tried to offer them \$12,000 to let  
25 them do this. Do you know what their answer to that was?

1 We'll give you 6 and you beat your lawyer. So, I said, no,  
2 we're not going to do that. But that's the other issue  
3 that's going to come. When we get this paper here saying  
4 that we're going to...if they get to these folks here...if they  
5 get to him, they've got to go through that property of  
6 mine. It's mine or my sons. It's on the other side.  
7 That's---.

8 MARY QUILLEN: Okay. You said that you do not own the  
9 gas, correct?

10 BOB BLANKENSHIP: I own the gas, yeah. I pay the taxes  
11 on the gas, but then the money is in escrow for Bull Creek  
12 Coal.

13 MARK SWARTZ: He doesn't own the coal.

14 BOB BLANKENSHIP: I don't own the coal.

15 MARY QUILLEN: Okay. Okay. Okay. And this is coal  
16 bed methane. So---.

17 MARK SWARTZ: Correct.

18 BOB BLANKENSHIP: And, you know, they asked me to do  
19 that 50/50 split with Bull Creek Coal. I'll do it if  
20 they'll give me 50% of that coal. And---.

21 BILL HARRIS: It sounds like a good deal to me. But I  
22 can't speak to that. Yeah.

23 BOB BLANKENSHIP: I appreciate it. I think I've got  
24 the answers to my questions here. I just didn't want to  
25 let this go by. I once let a judgment go by that I didn't

1 show up in Court and I had to pay it. It wasn't mine. But  
2 still once it got in there, I said, well, okay, we'll go  
3 over and see. I thank you.

4 BILL HARRIS: Any further questions or discussion?

5 (No audible response.)

6 BILL HARRIS: Mr. Swartz, you can go ahead and continue  
7 then.

8  
9 IAN LUCAS

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

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. SWARTZ:

14 Q. Ian, could you give us your full name, please?

15 A. Ian Lucas.

16 Q. And who do you work for?

17 A. CNX Gas.

18 Q. What do you do for them?

19 A. I'm a geologist.

20 Q. Have you testified in front of this Board before?

21 A. Yes, I have.

22 Q. With regard to infill issues and other issues?

23 A. Yes.

24 Q. Okay. Have you looked at this infill area and  
25 have you done some work with regard to the area in terms of

1 whether or not it would make sense to do some infill  
2 drilling here?

3 A. Yes. I've evaluated information that has been  
4 provided to me from our reservoir department.

5 Q. Okay. And it looks like the green area, which was  
6 on Exhibit AA, which was approved for infill drilling at  
7 least on the map that we've provided the Board, it looks  
8 like there are at least four units there that where you  
9 actually have two wells?

10 A. Yes.

11 Q. Okay. And have you considered that data in the  
12 exhibit that you've prepared for the Board today?

13 A. That's correct.

14 Q. Okay. In the Exhibit you prepared something  
15 called a 30 acre infill exhibit, correct?

16 A. Correct.

17 Q. And I think we've marked that or agreed to mark  
18 that as Exhibit BB.

19 A. Right.

20 Q. Let's go to the data, okay. First of all, with  
21 regard to page four, you have a time zero average, correct?

22 A. That's correct.

23 Q. And what does this pertain to? What wells does  
24 this pertain to?

25

1           A.    This is in relation to the wells that you see in  
2 the green marked area.  It's just a weighted average of the  
3 production through...everything is originated back to zero to  
4 make everything comparative.  So, it's just an average  
5 monthly gas production based on those wells, which I  
6 believe is 27 total.

7           Q.    Okay.  And basically you're showing...you're pushing  
8 three years of production---?

9           A.    Correct.

10          Q.    ---for 27 wells in the green area, I guess?

11          A.    Correct.

12          Q.    Okay.  And this is what the average well would look  
13 like over that period of time?

14          A.    That's correct.

15          Q.    Okay.  And then the next page, page five, we  
16 probably need to straighten out the time and months because  
17 it's actually time and day.

18          A.    That's correct.

19          Q.    21,900 months would be a real, real long time.

20          A.    That's like a 1,000 years or something.

21          Q.    Okay.  All right.  Okay.  And what have you tried  
22 to show on...what have you depicted on page five?

23          A.    What this graph is showing is the time zeroed  
24 averages of the production to-date in the green area.  It's  
25 actually shown on the...that's the red to the left---.

1 Q. Okay.

2 A. ---within the graph. Basically, a type of curve  
3 or declined curve was matched to that production, which is  
4 what is shown in green. I went out to, you know, the  
5 economic and/or production limits of these wells. What the  
6 black is showing is basically a cum actual production of  
7 those wells. So, basically what those wells makes through  
8 time, that why as you're declining but your cum would  
9 increase as you go along through time. The actual on that  
10 is also marked in kind of the red. You can barely see that  
11 underneath the black line, but it under there. That's the  
12 actuals and then that was just a production type of curve  
13 from this region that was, you know, applied to the actuals  
14 to show basically a cum through time respectively.

15 Q. Because one of your lines is pretty well concealed  
16 here, let's go back to some of the things that you said.

17 A. Yes.

18 Q. The first line that goes up and has some variation  
19 and then peaks and then starts to come back down, that is a  
20 time zero adjustment, the red line, of actuals?

21 A. Actual production. That's correct.

22 Q. Okay.

23 BILL HARRIS: Let me just clarify that.

24 IAN LUCAS: Yes, sir.

25

1        BILL HARRIS: That's actually what's on page four, but  
2 compressed in time.

3        IAN LUCAS: Absolutely.

4        MARK SWARTZ: Correct.

5        IAN LUCAS: That's correct.

6        Q.    Okay. And that's the first red line that kind of  
7 follows the left margin of the graph actually for a while?

8        A.    Yes.

9        Q.    And then you've got another red line, which is  
10 kind of well hidden under the black line.

11       A.    Correct.

12       Q.    Okay. But if the Board looks carefully, you ought  
13 be able to see a red line starting at zero and just to the  
14 right of the black line continuing up to the 500 line  
15 basically?

16       A.    Correct.

17       Q.    And what is that red line...what does that red line  
18 show?

19       A.    That is the cum gas production, which actually  
20 you'd see in the wide to the right---

21       Q.    Okay. But that red line that goes from zero to  
22 500 is actual to-date?

23       A.    That's correct.

24       Q.    Or actual to the days depicted?

25       A.    Yes.

1 Q. Okay. And then the last page, is I assume  
2 intended to show that the second well makes a difference?

3 A. Yes.

4 Q. Okay. And could you cover that difference with  
5 the Board?

6 A. Yes. The basis here is based on the 60 acre  
7 drilling versus if we went to a 30 acre infill drilling.  
8 The incremental pads is what would be shown through the cum  
9 production, which is your blue line, which is just above  
10 the red line. So, basically, you're not doubling it  
11 because, you know, you've already had reserves that would  
12 have been recovered in the 60 acre, but with the infill  
13 drilling you are...you are recovery the incremental gas,  
14 which is what's shown by the gap between the two cumed  
15 lines, your red and your blue. That differences is your  
16 199.

17 Q. So, incrementally you're increasing...the infilled  
18 well increases your overall production or cumulative  
19 production by roughly .2 bcf?

20 A. That's correct.

21 Q. Okay.

22 A. Which then increases your ultimate recovery  
23 factory of that reserves.

24 Q. And have you considered the economics of a second  
25 well in relation to, you know, the historical data that you

1 have in your projections as to whether or not it does make  
2 economic sense in these units and under these conditions to  
3 drill a second well?

4 A. Yes. The incremental adds through an average of  
5 the two wells meets the economic threshold, correct.

6 MARK SWARTZ: That's all I have of Ian.

7 BILL HARRIS: Questions from the Board members?

8 BRUCE PRATHER: I've got one little question.

9 BILL HARRIS: Yes.

10 BRUCE PRATHER: I assume that this here is a vintage  
11 curve. In other words, you've taken the disbursement month  
12 online and started every well that's in this curve so it's  
13 vintage166(inaudible)?

14 IAN LUCAS: Yes. Everything is zeroed. That's  
15 correct.

16 BRUCE PRATHER: Yeah. Yeah.

17 IAN LUCAS: It's an average of those 27 wells, correct.

18 BRUCE PRATHER: Yeah. And the other thing is your...I've  
19 (inaudible) on one thing. We've got a lot of these in here  
20 that the...some of the industry is putting the gas in place  
21 which has totaled them out which is not recoverable. I see  
22 that you've got your recovery factor on these. I like that  
23 a lot. I think that's...you know, it shows basically what's  
24 going to happen down through the history of this thing  
25 because if you don't put that recovery factor in there, you

1 know, you're looking at probably a bcf in these two wells  
2 and that's misleading.

3 IAN LUCAS: Can't be misleading.

4 BRUCE PRATHER: Like I say, I've kind of got to  
5 congratulate you for putting that on there. I wish  
6 everybody would do that.

7 MARY QUILLEN: Appreciate that.

8 SHARON PIGEON: I have a question.

9 BILL HARRIS: Yes.

10 SHARON PIGEON: This Exhibit AA, it has Buchanan County  
11 on it. Is that accurate? Is this Buchanan County because  
12 we were talking about Clintwood here a minute ago?

13 ANITA DUTY: It's way to the north.

14 (Anita Duty reviews some maps.)

15 BILL HARRIS: So, where was the Clintwood reference?

16 SHARON PIGEON: Mr. Blankenship, did you say Clintwood?

17 JERRY BLANKENSHIP: It was...I said it was the old  
18 Clintwood seam, strip bench.

19 BILL HARRIS: Oh.

20 SHARON PIGEON: Okay.

21 BILL HARRIS: Yes. Okay, not county.

22 JERRY BLANKENSHIP: It's in the Maxie/Harman, Virginia  
23 area in Buchanan County. Yes.

24 SHARON PIGEON: Okay.

25 BILL HARRIS: Okay. Okay. Yeah, okay.

1           SHARON PIGEON: Thank you.

2           BILL HARRIS: Thank you. Yes, Mrs. Dye had a question.

3           KATIE DYE: Yes. I had one for Mr. Cooper. I  
4 understand this is in regard to mining. Is there active  
5 mining in this area?

6           RICK COOPER: There's some surface mining going on in  
7 that area.

8           KATIE DYE: But not underground mining. And another  
9 question that I have, typically, and correct me if I'm  
10 wrong here, you know, when we see this increased density,  
11 we see one well already in these units and here today we're  
12 looking at a lot of units that there's no wells.

13          RICK COOPER: I'm not sure what the question is.

14          BILL HARRIS: Oh, I think she's saying our history has  
15 been when we have granted, and don't hold me to this...to the  
16 letter, but when we've granted increased density there  
17 already have been one well present. So, the question is, I  
18 guess the appropriateness of approving a second well...just  
19 for a second---.

20          BOB BLANKENSHIP: In regards to that mining issue there  
21 that they're talking about, his property, the Alpha people  
22 come and offered him \$250,000 and he told them to take a  
23 hike. CNX is walking up and down the road on his property  
24 saying we're going to put a gas line up through here. I  
25 imagine for less than \$250,000. That dog is not going to

1 hunt in this case. I mean, it's...I (inaudible). But Alpha  
2 is about finished in that particularly area that they're  
3 talking about before this whole Rt. 614 that goes up  
4 through there, they've already completed about five or five  
5 miles of the coal field expressway that's in there. Now,  
6 they've moved on toward Wise.

7 BILL HARRIS: Thank you.

8 BOB BLANKENSHIP: You can see why we're here. We've  
9 got some issues over there.

10 BILL HARRIS: There's a question about the infill  
11 drilling. Do we have a response for that?

12 MARK SWARTZ: I guess in many instances we've already  
13 had one well and in a lot of instances we haven't had any.  
14 You know, sometimes it depends on how far ahead of  
15 ourselves we are. Here we're anticipating future drilling.  
16 Sometimes, you know, the infill drilling has been an  
17 afterthought and we've been there for a long time. So,  
18 sometimes there are lots of wells in the units and  
19 sometimes there aren't.

20 BILL HARRIS: Actually, in the green area there are  
21 several wells that...I'm sorry, several units that don't show  
22 a well at all.

23 IAN LUCAS: I can actually...go ahead, Bruce.

24 BRUCE PRATHER: I assume...I assume thing would be in  
25 effect on these blue areas is the fact that if coal mining

1 is going on over there, you're just trying to get an area  
2 up here that you hope that you can find maybe one or two of  
3 these units that you can put two wells there. I mean, you  
4 don't know for sure that you can do that.

5 IAN LUCAS: Right. And I'm...I'm not directly  
6 responsible for the drilling of this area. You know, I'm a  
7 technical advisor and presenter. But I do know based on  
8 mining plans right now limits why not all areas are infill.  
9 But also...and from how I understand it when I questioned the  
10 area and what was going on, it's in anticipation of infill  
11 drilling being necessary based on the geologic situation in  
12 which they're getting into out here in the Bull Creek area.  
13 Meaning, it is deeper. So, you are going to be dealing  
14 with higher pressures. The typical stimulation techniques  
15 you use today aren't accessing as much as they would such  
16 as in like the 80 acre areas where you're a bit shallower.  
17 So, from how I understand it it's the depth variation and  
18 pressure regime that we're dealing with that 60 acres is  
19 just too large for us to properly stimulate it. So,  
20 they're doing this in anticipation of our drilling program  
21 coming on is why we're here today based on stimulation.

22 BRUCE PRATHER: Yeah.

23 BILL HARRIS: Mr. Blankenship.

24 BOB BLANKENSHIP: I'm sorry, Mr. Chairman, for coming  
25 back. But once, again, these folks come and talk to these

1 land owners out there and it was my understanding before  
2 these issues come up that they were going to drill 54 more  
3 wells on through the same and I just didn't pull that  
4 number out of the blue. Somebody from the gas company told  
5 me to...as a matter of a fact, about four of them was  
6 supposed to have been on the other side of my property  
7 until they let the construction company that created the  
8 site and told me that I didn't have no more rights up  
9 there. I had a lot of damages and they won't pay for it.  
10 So, I'm not going to let them get on the other side and  
11 tear up the rest of what I've got. I thank you.

12 MARY QUILLEN: Who are the people that damaged your  
13 property?

14 BOB BLANKENSHIP: Well, all...we're the lay people.  
15 We're not attorneys. We don't understand none of this.  
16 All we---

17 MARY QUILLEN: No I'm just asking, you said that they  
18 came through and tore up your property and didn't repair  
19 it. Who didn't...who came through?

20 BOB BLANKENSHIP: I'll give you...the people that put the  
21 site up there to drill the well. I had a cemetery up  
22 there. I had one road going down into it and another one  
23 going out here. They filled up one of the roads and choked  
24 down the other one. There was a mine site up there where  
25 they put the...they tore out all of the drains and all of

1 that where it had been reclaimed and they tell me, you  
2 know...I talked to one time before over here. The water from  
3 that abandoned mines was running right down the road and  
4 they said, oh, we'll get over there and get that fixed.  
5 All of that come by a well that we'll give you \$6,000 and  
6 you take care of it and we'll beat your lawyer. Like I  
7 say, none of these people in here that's listed on this  
8 page, and I'm under oath here, I don't feel like they're  
9 going to let CNX put nothing on it. I know as far as I'm  
10 concerned and my son is concerned we're talking a 150 acres  
11 there where their line ends that they're not going to put  
12 no more on. Thank you.

13 BILL HARRIS: Damages like that, Mr. Cooper, does your  
14 office handle that or how is that---?

15 RICK COOPER: So, I guess the question now...I think  
16 you're referring that CNX was the one that put the well in,  
17 but one of their contractors created the problem. Is that  
18 what you're saying?

19 BOB BLANKENSHIP: Right. But the CNX representatives  
20 was standing there when he tells me that I didn't  
21 have...basically that I didn't have any rights.

22 RICK COOPER: So, to answer your question, if they file  
23 a complaint through us, and we do...we do inspect those to  
24 make sure the sediment controls are in order and that type  
25 of thing. But if there is something that's out of the

1 ordinary that a citizen is unhappy with, if they file a  
2 complaint or contact us we will respond to that.

3 BILL HARRIS: So, I would suggest that maybe you talk  
4 with Mr. Cooper.

5 MARK SWARTZ: Well, the other thing to get focused,  
6 we're not here seeking a well permit.

7 BILL HARRIS: Yes.

8 MARK SWARTZ: No, but I mean seriously. You know,  
9 we're---

10 BILL HARRIS: Well, that's why I wanted to handle that--  
11 --.

12 MARK SWARTZ: Yeah. We're not here looking to lay a  
13 pipeline. We're not here, you know, for any  
14 infrastructure. This is...our request to the Board is we  
15 think it makes sense to the extent that we can find surface  
16 locations to drill wells, to build roads and to lay  
17 pipeline. That it makes sense to...for the reasons that Ian  
18 has discussed, it makes sense to increase density or infill  
19 drilling here. Obviously, that doesn't give us a permit.  
20 It doesn't give us a permit. It doesn't give us, you know,  
21 any...any rights to do anything on the surface. But it gives  
22 us the concept that if it takes too wells to develop these  
23 units because they're different geologic conditions you've  
24 got an opportunity to do that if you can find the rights.  
25 I mean, that's...that's why we're here. So, I'm hearing

1 about the surface damages and they're not going to put a  
2 well here. Well, you know, if we propose a well, we're  
3 going to have to give notice to everybody. There's going  
4 to be hearing. You have an opportunity to object. But  
5 that's not...I mean, that's Mr. Cooper's job to sort of  
6 filled through that. I understand I'm hearing a lot of  
7 things, you know, that he said and she said and I said  
8 basis but we're not here about the surface. We're here  
9 about does this kind of development make sense.

10 BILL HARRIS: Yeah.

11 JERRY BLANKENSHIP: Well, why about if they're going to  
12 get on your property?

13 MARK SWARTZ: I just said, to get on your property we  
14 have to apply for a permit.

15 JERRY BLANKENSHIP: That's why I'm here.

16 MARK SWARTZ: We haven't applied for a permit.

17 BOB BLANKENSHIP: Because these---.

18 JERRY BLANKENSHIP: You've been on my property, sir.

19 MARK SWARTZ: We have not applied for a permit that I'm  
20 aware of that affects you---.

21 JERRY BLANKENSHIP: I didn't say you had applied for a  
22 permit. I said you have been on my property. Do you  
23 understand---?

24 MARY QUILLEN: Sir. Sir.

25 SHARON PIGEON: Mr. Blankenship.

1        BILL HARRIS: We...and, again, those are surface issues  
2 that probably need to be taken care of probably through Mr.  
3 Cooper to find out what has...you know, again, what has  
4 happened and what has transpired. But, again, as for...as to  
5 what Mr. Swartz says, that's not the issue that's in front  
6 of us at the moment. But we...again, we do welcome your  
7 comments and we are concerned about that. But you probably  
8 need to talk to Mr. Cooper about what has transpired and  
9 what may happen in the future. So, any further questions  
10 about the current issue at hand, which is for infill  
11 drilling...increased drilling in these---

12        SHARON PIGEON: Just to clarify, the testimony was that  
13 you are making an application for one additional well for  
14 each of these units. The application says to allow more  
15 than one. But you are only asking for one per unit.

16        MARK SWARTZ: One. Correct.

17        BILL HARRIS: Any further discussion from the Board?  
18 (No audible response.)

19        BILL HARRIS: Do we have a motion to this today?

20        MARY QUILLEN: Just to...I just want to clarify that it's  
21 one additional well?

22        MARK SWARTZ: Correct. The total of no more than two  
23 is the way of saying that.

24        MARY QUILLEN: Okay. Okay. Motion to approve.

25        BRUCE PRATHER: Second.

1 BILL HARRIS: Any further discussion?

2 (No audible response.)

3 BILL HARRIS: All in favor, say yes.

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

5 BILL HARRIS: Opposed, no.

6 KATIE DYE: I'll abstain.

7 BILL HARRIS: One abstention. Okay, that motion  
8 has...I'm sorry, that item has been approved. Again, I'll  
9 let you all talk to Mr. Cooper. I believe we're going to  
10 break for lunch. Is 1:30...that's about 55 minutes. Is that  
11 adequate, folks?

12 DIANE DAVIS: Certainly.

13 BILL HARRIS: Okay, we'll reconvene at 1:30.

14 (Lunch.)

15 BILL HARRIS: We talked at lunch, Mr. Swartz, asked me  
16 about moving a couple of items up, numbers eighteen and  
17 nineteen, in front of fifteen, sixteen and seventeen  
18 without...if we don't have objections from anyone to do that,  
19 we'll go ahead and do that then. So, I'll call number  
20 eighteen. A petition from CNX Gas Company, LLC for the  
21 creation of a provisional drilling unit and pooling for  
22 conventional horizontal unit TTT24SH, North Grundy,  
23 District, Buchanan County, Virginia, docket number VGOB-11-  
24 0816-2980. We'd ask all parties who wish to speak to that  
25 item, please come forward.

1           MARK SWARTZ: Mark Swartz, Anita Duty and Ian Lucas.

2 We're passing out some packets at the moment with regard to  
3 this. But this is another shale unit that...as will the next  
4 one be a shale unit that we're seeking to create a  
5 provisional drilling unit and then also pool it.

6  
7   ANITA DUTY

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

10   DIRECT EXAMINATION

11 QUESTIONS BY MR. SWARTZ:

12           Q. Anita, I'm going to ask you to state your name  
13 again, please.

14           A. Anita Duty.

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

17           A. Okay.

18           Q. This application is to create a provisional  
19 horizontal drilling unit TTT24SH is for shale, correct?

20           A. Yes.

21           Q. Did...what did you do to notify people that we were  
22 going to be having a hearing today?

23           A. Mailed by certified mail return receipt requested  
24 on July 15, 2011. I published the notice and location map  
25 on July the 23, 2011.

1 Q. And have you brought with you so you can provide  
2 them to the Director copies of your certificates with  
3 regard to mailing and the proof of publication that you've  
4 received from the newspaper?

5 A. Yes.

6 Q. And this proposed unit is going to contact how  
7 many acres?

8 A. 320.

9 Q. And basically you've put four 80s together,  
10 correct?

11 A. Yes.

12 Q. And you've shown that on A...Exhibit A-1?

13 A. Yes.

14 Q. And in your...in your application, have you as  
15 required given a description under the...using the Virginia  
16 State Plain Coordinate System a description of the exterior  
17 boundary?

18 A. Yes.

19 Q. And, again, stated that it's 320 acres?

20 A. Yes.

21 Q. Okay. Do you want to add any folks to the list of  
22 respondents that's in the application and notice?

23 A. No.

24 Q. Do you want to dismiss any of those people?

25 A. No.

1 Q. Okay. And have you provided the Board with a plat  
2 map showing the proposed unit and a window within that  
3 unit?

4 A. Yes.

5 Q. Okay. And the line that sort of runs diagonally  
6 from the northwest corner to the southeast corner, is that  
7 the proposed horizontal leg?

8 A. Yes.

9 Q. And is the access hole actually almost in the very  
10 corner...northeast corner of the unit?

11 A. It is.

12 Q. And where would production begin?

13 A. Inside the window.

14 Q. Okay. And approximately at the dot that's shown  
15 there?

16 A. Yes.

17 Q. Okay. And then where would it end?

18 A. At the southeast corner and the other corner.

19 Q. Within the window as well?

20 A. Within the window, yes.

21 Q. Okay. And the...assuming the drilling...the  
22 horizontal drilling goes as projected, what would the  
23 length of that leg be?

24 A. 4,784.26 feet.

25

1 Q. And what interest has the applicant been able to  
2 either acquire or lease?

3 A. We have leased 98.1344% and we are seeking to pool  
4 1.8656%.

5 Q. And with regard to that, what lease terms have you  
6 offered to the folks that you've been able to reach an  
7 agreement with in general?

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

10 Q. Okay. And would you recommend those same terms to  
11 the Board with regard to any folks who are deemed to have  
12 been leased?

13 A. Yes.

14 Q. And this...because this is a conventional  
15 drilling...proposed drilling unit, there's no escrow  
16 requirement here---?

17 A. That's correct.

18 Q. ---for conflicts? And also you've been able to  
19 identify everyone, so there's unknowns here?

20 A. Correct.

21 Q. Have you provided the Board in your application  
22 with a cost estimate?

23 A. Yes.

24 Q. And that is in what amount?

25 A. \$1,508,085.

1 Q. Okay. And if this...if the Board were to create  
2 this unit and pool it, is it your opinion that if you take  
3 a pooling order in combination with the leases and  
4 agreements the operator has been able to obtain voluntarily  
5 that the correlative rights of all persons within this unit  
6 would be protected?

7 A. Yes.

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

9 A. No.

10 MARK SWARTZ: I think that's all I have of Anita, Mr.  
11 Chairman.

12 BILL HARRIS: Okay. Questions from Board members?

13 (No audible response.)

14 BILL HARRIS: You may continue.

15  
16 IAN LUCAS

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

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. SWARTZ:

21 Q. Ian, you need to state your name for us, please.

22 A. Ian Lucas.

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

25 A. Yes.

1 Q. Okay. Did you...have you looked at this unit in  
2 terms of the design of the leg within the unit and  
3 potential production from this unit to be in a position to  
4 share some information with the Board today?

5 A. Yes, I have.

6 Q. Did you create a packet of information that the  
7 Board has been provided?

8 A. Yes.

9 Q. I'm assuming that we're going to call this AA,  
10 okay. You've testified before with regard to these units,  
11 correct?

12 A. Correct.

13 Q. Okay. I'm going to kind of skip through  
14 the...actually to the plat first of all. The plat shows that  
15 we've created a...I think it's a drilling window offset. Do  
16 you see that?

17 A. Yes.

18 Q. And that's what 300 feet?

19 A. Yes.

20 Q. Okay. And is it the intention that the completed  
21 portion of the leg, the portion capable of producing would  
22 be within that window?

23 A. That's correct.

24 Q. Okay. And that's...and that has been shown on that?

25 A. Yes.

1 Q. Are you actually able to case to the point that is  
2 within the window? Is that how you do that or how do you  
3 limit the production to the window?

4 A. Yes. It's based on where our last completion  
5 packer will be set.

6 Q. Okay.

7 A. Correct.

8 Q. And actually you've got a, I think, a diagram if  
9 we move forward a couple of pages, Typical Exploration  
10 Horizontal Design.

11 A. Yes.

12 Q. There you're showing the vertical hole, which is  
13 optional depending on what kind of production you have. It  
14 might go past the turn or it just might make the turn.

15 A. Correct.

16 Q. In this case, are you just going to make the turn  
17 without drilling deeper?

18 A. On this particular one, I believe we'll probably  
19 drill the pilot hole just because we don't have a nearby  
20 Huron penetration. So, that's what helps us lineup our  
21 horizontal target.

22 Q. Okay. And then you come back up to make the---?

23 A. That's correct.  
24  
25

1 Q. Okay. And you would put a packer in the  
2 horizontal portion to cause production not to occur or pull  
3 from that?

4 A. That's correct.

5 Q. Okay. And is the horizontal design page also  
6 intended to give sort of an example of hydraulic fracture?

7 A. That's correct.

8 Q. Okay. And can I assume from this that this well  
9 will be fraced in multiple sequences?

10 A. That's correct.

11 Q. Could you just in a very brief way indicate  
12 whether or not you're using liquid or some other mechanism  
13 to frac this well?

14 A. These are straight gas fracs.

15 Q. Okay. So, there's not going to be recoverable  
16 frac water?

17 A. That's correct. No water.

18 Q. Okay. Moving forward then to...we've dealt with  
19 some of this other. We have some reserve estimates at the  
20 very end here and if I recall correctly this in general is  
21 data not with regard to your own production because this is  
22 a fairly new project for you all in this area anyway. It's  
23 (inaudible) from other sources to give you a sense of what  
24 likely the recovers are here. Is that correct?

25 A. That is correct.

1 Q. Okay. And what in your best estimate at the  
2 moment would be the recoverable reserves assuming the  
3 percentages of recovery that you're using here?

4 A. Well, basically between a 20% or a 30% you're  
5 looking between 300 million and a bcf per well.

6 Q. And my question then is, with those assumptions as  
7 to recoverable reserves, what do you know about pricing and  
8 so forth and costs? Do these wells...are these wells  
9 economic?

10 A. Yes.

11 Q. So, it's anticipated that the cost to...the cost  
12 benefit would exceed the---?

13 A. Correct.

14 Q. --- (inaudible) substantially?

15 A. Correct.

16 Q. Okay. My last question is, is it your view that  
17 or your opinion that drilling a horizontal well as depicted  
18 in the well plat here within this 320 acre proposed unit is  
19 a reasonable way to produce this shale gas from this  
20 acreage?

21 A. Yes.

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

23 BILL HARRIS: Questions from Board members?

24 (No audible response.)

25 BILL HARRIS: Okay. You can continue.

1       MARK SWARTZ: I'm completed.

2       BILL HARRIS: Fine. Okay---.

3       DONNIE RATLIFF: Mr. Chairman.

4       BILL HARRIS: Yes, Mr. Ratliff.

5       DONNIE RATLIFF: This is in the Oakwood Field, right?

6 Why did you shows us the Nora there? Is that...what was the

7 comparison?

8       IAN LUCAS: Just the two generic coal bed methane

9 related units that we use between the two fields. But it

10 is...you're right. It is within the Oakwood.

11       DONNIE RATLIFF: It's in the Oakwood?

12       IAN LUCAS: Correct. It's four 80s.

13       DONNIE RATLIFF: Okay. I thought maybe we were trying

14 to expand out.

15       BILL HARRIS: Any other questions?

16       (No audible response.)

17       BILL HARRIS: Do we have a motion for this---?

18       DONNIE RATLIFF: Move to approve, Mr. Chairman.

19       BRUCE PRATHER: Second.

20       BILL HARRIS: Okay. Any further discussion?

21       (No audible response.)

22       BILL HARRIS: All in favor, say yes.

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

24       BILL HARRIS: Opposed, say no.

25       KATIE DYE: I'll abstain.



1 Q. What did you do to notify people that we...the  
2 respondents that we would be having a hearing today?

3 A. I mailed by certified mail return receipt  
4 requested on July the 15<sup>th</sup>, 201<sup>1</sup>. I published the notice and  
5 location map in the Bluefield Daily Telegraph on July the  
6 25<sup>th</sup>, 201<sup>1</sup>.

7 Q. And then you brought your certificates of mailing  
8 and proof of publication with you to file with the Director  
9 today?

10 A. Yes.

11 Q. Do you want to add any respondents?

12 A. No.

13 Q. Do you want to dismiss any respondents?

14 A. No.

15 Q. The point of this application is to do two things.  
16 One is to create a provisional drilling unit, correct?

17 A. Yes.

18 Q. And then to pool it, is that correct?

19 A. It is.

20 Q. Okay. Have you provided the Board with a map of  
21 the proposed unit at Exhibit A?

22 A. Yes.

23 Q. And it contains how many acres?

24 A. 320.

25

1 Q. And it is made up of four I'm thinking Oakwood  
2 units?

3 A. Yes.

4 Q. And those four Oakwood units are shown on Exhibit  
5 A-1 as TTT26 and 27 and UUU26 and 27, correct?

6 A. Yes.

7 Q. And in addition to showing the Oakwood location,  
8 have you also in your application provided the Board with a  
9 Virginia State Plain Coordinate description of the exterior  
10 boundary of this unit?

11 A. Yes.

12 Q. Okay. On your plat, Exhibit A, have you shown the  
13 location of the production hole, the lateral horizontal  
14 leg, within the proposed unit?

15 A. Yes.

16 Q. And this one is the access hole...the vertical hole  
17 sort of reversed from the one that we just looked at and is  
18 this when the access hole is in the southeast corner of the  
19 unit?

20 A. Yes.

21 Q. And it's also...that access hole in this case is  
22 actually within the drilling window, correct?

23 A. It is.

24 Q. And does the lateral...or is it intended that the  
25 lateral would terminate just before or at the window?

1 A. Yes.

2 Q. And if drilling goes as hoped, what would the  
3 length of this leg be?

4 A. 3,963.56 feet.

5 Q. What interest has the applicant been able to  
6 acquire in this unit?

7 A. 87.2563% of the oil and gas claim.

8 Q. And what is it that you need to pool?

9 A. 12.7437%.

10 Q. Okay. And there's no conflict escrow required  
11 here obviously because this is conventional?

12 A. Correct.

13 Q. And have you been able to locate everybody so that  
14 there's no unknowns or unlocatables escrowed required  
15 either?

16 A. We have.

17 Q. Okay. Is this well permitted yet?

18 A. No.

19 Q. Have you provided the Board with a cost estimate  
20 with regard to this well?

21 A. Yes.

22 Q. And what is...what is that estimate?

23 A. \$1,553,527.

24 Q. Okay. And this estimate includes a substantial  
25 sum for...I'm assuming for completion and stimulation?

1           A.    Yes.

2           MARK SWARTZ:   Okay.  I'd like to incorporate Anita's  
3 testimony with regard to lease terms from the prior  
4 hearing.

5           (No audible response.)

6           MARK SWARTZ:   I'd like to incorporate Anita's testimony  
7 regarding lease terms from the---.

8           BILL HARRIS:   I'm sorry, I was reading.  Yes, those will  
9 be incorporated.

10          MARK SWARTZ:   Great.

11          Q.    Anita, is it your opinion that if you combine a  
12 pooling order pooling this provisional unit with the  
13 agreements that the operator has been able to obtain  
14 voluntarily that the correlative rights of everyone who has  
15 an interest in this unit will be protected?

16          A.    Yes.

17          MARK SWARTZ:   I believe that's all I have of Anita.

18          BILL HARRIS:   Questions from members of the Board?

19          (No audible response.)

20          BILL HARRIS:   You may continue.

21

22

23

24

25

1 IAN LUCAS

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

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. SWARTZ:

6 Q. Ian, could you give us your name again?

7 A. Ian Lucas.

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

9 A. Yes.

10 Q. Have you prepared a packet of information with  
11 regard to this horizontal unit?

12 A. I have.

13 Q. We're going to call that Exhibit A AA...I'm sorry,  
14 Exhibit AA, okay.

15 A. Correct.

16 Q. Okay. And does this exhibit follow essentially  
17 the same format as the one that we just spoke to with  
18 regard---?

19 A. Yes, it does.

20 Q. ---to the TTT unit?

21 A. correct.

22 Q. Except in this one we have the leg commencing in  
23 the southeast corner of the drilling window and lying sort  
24 of northwest and terminating within the drilling window in  
25 the northwest corner, correct?

1 A. Correct.

2 Q. Is this anticipated to produce the same seam?

3 A. Yes, the Lower Huron Shale.

4 MARK SWARTZ: Okay. And I would like, if I might, Mr.  
5 Chairman, to incorporate Ian's testimony with regard to  
6 typical exploration and horizontal design and his testimony  
7 with regard to anticipated reserve estimates and if that  
8 motion is granted, that's all I have of Mr. Lucas at the  
9 moment.

10 BILL HARRIS: Are those estimates the same?

11 MARK SWARTZ: Yes.

12 BILL HARRIS: Yes. Okay, that will be incorporated.

13 Questions from Board members?

14 (No audible response.)

15 BILL HARRIS: I do have just a quick question about the  
16 nomenclature that you're using for your wells and we may  
17 have been doing this already, but the 27 and the 24 for the  
18 one previously, that's...actually the unit that...well, not the  
19 unit, but the part of the unit that the well is actually  
20 drilled in. Is that what you've done?

21 IAN LUCAS: That's correct.

22 BILL HARRIS: Because I know this one was sort of  
23 topped down and the other was bottom up. But that's...okay,  
24 thank you.

25 IAN LUCAS: Correct. Yeah.

1           MARK SWARTZ: Yes.

2           BILL HARRIS: Any questions from Board members?

3           (No audible response.)

4           BILL HARRIS: Okay. I'll entertain a motion for this

5 item.

6           MARY QUILLEN: Motion to approve.

7           BRUCE PRATHER: Second.

8           BILL HARRIS: Okay. Any further discussion?

9           (No audible response.)

10          BILL HARRIS: All in favor, say yes.

11          (All members signify by saying yes, but Katie Dye and

12 Donnie Ratliff.)

13          BILL HARRIS: Opposed, say no.

14          KATIE DYE: I'll abstain.

15          BILL HARRIS: One abstention, Mrs. Dye.

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

17          BILL HARRIS: Okay. Actually two abstentions, Mr.

18 Ratliff and Mrs. Dye. Okay, then, we'll move back to

19 number fifteen. Item fifteen is a petition from CNX Gas

20 Company, LLC for a repooling of coal bed methane unit R-43,

21 Garden District, Buchanan County, Virginia. The docket

22 number on that is VGOB-00-0321-0781-03. We'd ask for all

23 parties who wish to speak to that item to please come

24 forward.

25          MARK SWARTZ: Mark Swartz and Anita Duty.

1 BILL HARRIS: Okay. There are no others.

2 MARK SWARTZ: Mr. Chairman, the next docket item,  
3 number sixteen, regarding R-44 is also a repooling and both  
4 of these repoolings were generated by a remapping of one  
5 line and it's the same line. So, it might make sense to  
6 call these together.

7 BILL HARRIS: Okay then. We'll call number sixteen  
8 then also, a petition from CNX Gas Company, LLC for  
9 repooling of coal bed methane unit R-44, Garden District,  
10 Buchanan County, Virginia. The docket number there is  
11 VGOB-00-0321-0782-02. Again, we'd ask all parties who wish  
12 to speak to this item, please come forward.

13 MARK SWARTZ: Mark Swartz and Anita Duty.

14 BILL HARRIS: You may proceed.

15 MARK SWARTZ: Thank you.

16  
17 ANITA DUTY

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

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. SWARTZ:

22 Q. Anita, state your name for us again, please.

23 A. Anita Duty.

24 Q. And you're still under oath?

25 A. Yes.

1 Q. Okay. With regard to items fifteen and sixteen,  
2 these are repoolings?

3 A. Yes.

4 Q. Both of them were initially pooled in...it looks  
5 like in the year 2000?

6 A. Yes.

7 Q. And what's the reason that we're back here to  
8 repool these?

9 A. There was some mapping revisions.

10 Q. Okay.

11 A. And like you said, the line between...it was a Coal  
12 Mountain and James McGuire line.

13 Q. And those are actually the first two respondents  
14 that you've named in each?

15 A. Yes.

16 Q. And that one line changed and it's a long line I  
17 take it?

18 A. Yes, it is.

19 Q. And so it made some minor changes in a number of  
20 the percentages of the various tracts, correct?

21 A. It did.

22 Q. And excellent for that line on the plats and the  
23 percentages...the acreages that would change as a result, is  
24 everything else...and by that I mean the well cost estimates  
25 and so forth, has everything else remained the same?

1 A. Yes.

2 Q. We're not adding any new people or subtracting any  
3 people?

4 A. We could have had some updates to the Cantrell  
5 heirship just because it's so big.

6 Q. Right. But the heirship was already pooled?

7 A. Correct.

8 Q. Right. Okay, so we're not adding any new folks...  
9 we're updating the Cantrell heirship perhaps, but we're not  
10 adding new folks and we're not changing any of the cost  
11 numbers, but we are changing a number of the percentages  
12 because of that line, correct?

13 A. That's correct.

14 Q. Okay. What did you do to notify the long list of  
15 respondents that you have with regard to both of these  
16 applications that there would be a hearing today?

17 A. We mailed by certified mail return receipt  
18 requested on July the 15<sup>th</sup>, 201<sup>1</sup> and published R-43 notice  
19 and location map in the Bluefield Daily Telegraph on July  
20 the 22<sup>nd</sup>. R-<sup>44</sup> was published in the Bluefield Daily  
21 Telegraph on July the 23<sup>rd</sup>.

22 Q. And have you brought with you so you can deliver  
23 them to the Director today your certificates with regard to  
24 mailing with regard to both of these units and your proofs  
25 of publication in regard to both of the units?

1 A. Yes.

2 Q. And when they were published in the paper was the  
3 location map A...Exhibit A-1 also published?

4 A. Yes.

5 Q. Okay. Do you want to add any folks as respondents  
6 with regard to either of these repooling applications?

7 A. No.

8 Q. Do you want to dismiss any of these folks?

9 A. No.

10 Q. And is the...is the plat that you've provided  
11 Exhibit A with regard to both of these units, does it now  
12 accurately reflect the line change?

13 A. It does.

14 Q. Okay. And the tract identification which are  
15 behind the plat in both R-43 and R-44, did those tract  
16 identifications now accurately report the acreage and the  
17 percentages with regard to each of the tracts after  
18 accounting for the line change?

19 A. Yes.

20 Q. Okay. I take it the wells in both of these units  
21 were permitted and drilled quite some time ago?

22 A. Yes.

23 Q. And you've simply used the well cost information  
24 that was originally submitted when this was pooled?

25 A. Yes.

1 Q. Okay. Have you provided updated Exhibits E and EE  
2 to account for additions to the Cantrells and to account  
3 for perhaps further split agreements that might have been  
4 entered into and that sort of thing?

5 A. Yes.

6 Q. Okay. So, these are current as of 6/1/11?

7 A. They are.

8 Q. Okay. And one addition though, you have added a  
9 cost for a second well here, correct?

10 A. Yes, we have.

11 Q. Okay. And that's the R-43A well?

12 A. Yes.

13 Q. And that cost estimate was dated what?

14 A. July the 13<sup>th</sup>, 201<sup>1</sup>.

15 Q. Okay. And the cost estimate for that second well?

16 A. \$193,055.

17 Q. Okay. And let's look at the other one and see. I  
18 think we did it as a matter of a fact. Yeah. And you've  
19 also got the cost as of July the 13<sup>th</sup>, '11<sup>f</sup> or R-44A as well,  
20 correct?

21 A. Yes.

22 Q. And what was the cost of that well?

23 A. \$226,861.

24 Q. And neither of these have been drilled yet?  
25

1 A. No, but I do think we have permits. We do have  
2 permits though.

3 Q. Okay. What's the permit for R-44A?

4 A. R-44A is 12135.

5 Q. Okay. And for the 43A?

6 A. And R-43A has been drilled and it's permit 5221.

7 Q. Okay. So, another reason to come back is to  
8 include those second wells here?

9 A. Yes.

10 Q. Okay. Is it your opinion that correcting the  
11 acreages and percentages as a result of this line shift is  
12 an important change and that the pooling application should  
13 reflect the most current mapping information of that mine?

14 A. Yes.

15 Q. And in addition, to the extent that you're  
16 proposing to add a second well in each of these units, is  
17 it also your request that the folks in the units have an  
18 opportunity to participate in that second well?

19 A. Yes.

20 MARK SWARTZ: I think that's all I have of Anita.

21 BILL HARRIS: Okay. Let me ask about those second  
22 wells. They have been approved? The---.

23 ANITA DUTY: Yes.

24 BILL HARRIS: Those wells. R-44A and R---?  
25

1        ANITA DUTY: Those are actually in the Buchanan Mine  
2 projection area.

3        BILL HARRIS: Questions from Board members?

4        DONNIE RATLIFF: I may not have heard her correct, but  
5 the permit number on R-43?

6        ANITA DUTY: R-43 is 4313.

7        DONNIE RATLIFF: Okay.

8        ANITA DUTY: I think we just said the ones for the  
9 second well. We didn't actually say the first one.

10       BILL HARRIS: Did that answer your question?

11       DONNIE RATLIFF: Yes.

12       BILL HARRIS: Any other questions?

13       (No audible response.)

14       BILL HARRIS: Anything else, Mr. Swartz?

15       MARK SWARTZ: No.

16       BILL HARRIS: Do we have a motion? I guess this would  
17 be pertaining to both, items fifteen and sixteen. Do we  
18 have a motion relative to those items?

19       MARY QUILLEN: Motion to approve item fifteen and  
20 sixteen as presented.

21       BRUCE PRATHER: Second.

22       BILL HARRIS: Any further discussion?

23       (No audible response.)

24       BILL HARRIS: All in favor, say yes.

25

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

3 BILL HARRIS: Opposed, no.

4 KATIE DYE: I'll abstain.

5 BILL HARRIS: One abstention, Mrs. Dye.

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

7 BILL HARRIS: Two actually, Mr. Ratliff. Those have  
8 been approved. We'll move to item number seventeen.

9 MARK SWARTZ: Okay. The Good news in regard to item  
10 seventeen is we would like 30 days to decide to whether or  
11 not we're going to withdraw that. It's possible that we  
12 might be able to withdraw it.

13 BILL HARRIS: So, we would continue that---.

14 MARK SWARTZ: Give us 30 days to make a decision as to  
15 whether or not we can withdraw it. I think we---.

16 BILL HARRIS: Okay. Let me...let me call that and just  
17 indicate the continuous. Number seventeen is a petition  
18 form CNX Gas Company, LLC for repooling of coal bed methane  
19 unit AV-110, Hurricane and New Garden Districts, Buchanan  
20 and Russell County, Virginia. The docket number there is  
21 VGOB-01-0320-0870-03. That will be continued.

22 MARK SWARTZ: Thank you.

23 MARY QUILLEN: To when?

24 BILL HARRIS: For 30 days, did you say?

25

1           MARK SWARTZ: Yes, 30 days and we'll either withdraw it  
2 or we'll hear it. I think we're going to withdraw it  
3 though.

4           BILL HARRIS: We'll continue until September.

5           MARK SWARTZ: Thank you.

6           BILL HARRIS: Okay, thank you. Let's take a moment to  
7 switch folks here.

8           (Exhibits are passed out.)

9           BILL HARRIS: Our next item is item twenty-one. It's a  
10 petition from Range Resources-Pine Mountain, Inc. for a  
11 well location exception for proposed well 900032, Sandlick  
12 District, Dickenson County, Virginia. The docket number is  
13 VGOB-11-0816-2983. We'd ask all parties who wish to speak  
14 to this item to please come forward.

15           TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for  
16 Range Resources-Pine Mountain, Inc.

17           BILL HARRIS: Others? The record will show that there  
18 are no others. So, you may proceed.

19           TIM SCOTT: You all have been sworn, haven't you?

20           PHIL HORN: Yes, we have.

21           GUS JANSEN: Yes.

22

23

24

25

1 PHIL HORN

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

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. SCOTT:

6 Q. Mr. Horn, would you please state your name, by  
7 whom you're employed and your job description?

8 A. My name is Phil Horn. I'm the land manager for  
9 Range Resources-Pine Mountain, Inc. One of my job  
10 descriptions is to get wells permitted and drilled.

11 Q. Are you familiar with this application?

12 A. Yes, I am.

13 Q. Are you familiar with the ownership of the  
14 minerals for this acreage?

15 A. Yes, I am.

16 Q. And those owners are set forth on Exhibit B?

17 A. That's correct.

18 Q. And who operates the wells from which the well  
19 location exception is requested today?

20 A. Range Resources-Pine Mountain, Inc.

21 Q. And the parties listed on Exhibit B, how did we  
22 notify them of this hearing?

23 A. By certified mail.

24 Q. And we've provided proof of mailings to the Board,  
25 is that correct?

1 A. Yes, you have.

2 TIM SCOTT: That's all I have for Mr. Horn.

3 BILL HARRIS: Questions from members of the Board?

4 (No audible response.)

5 BILL HARRIS: You may continue.

6 TIM SCOTT: Thank you.

7  
8 GUS JANSEN

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

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. SCOTT:

13 Q. Mr. Jansen, please state your name, by whom you're  
14 employed and your job description.

15 A. My name is Gus Jansen. I'm employed by Range  
16 Resources-Pine Mountain, Inc. as the manager of geology.

17 Q. Are you familiar with this application?

18 A. Yes, I am.

19 Q. And please tell the Board why we're seeking this  
20 well location exception?

21 A. Yes. If the Board would refer to Exhibit AA,  
22 which I've handed out, you'll see the location of proposed  
23 well V-900032. This well have been positioned to recover  
24 the stranded reserves by the existing well development in  
25 the area. In order to locate a well in a location that

1 would meet the statewide spacing requirements, we would  
2 have to relocate the well approximately 2,000 to  
3 (inaudible) to the south in the large (inaudible). In that  
4 case, we would be stranding approximately 103.13 acres of  
5 reserves.

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

7 A. 5,777 feet.

8 Q. And the potential loss of reserves if the  
9 application is not granted?

10 A. 325 million cubic feet of gas.

11 Q. And if the Board granted our application that  
12 we've filed today, it would prevent waste, protect  
13 correlative rights and promote conservation, is that also  
14 correct?

15 A. That is correct.

16 TIM SCOTT: That's all I have for Mr. Jansen.

17 BILL HARRIS: Questions from members of the Board?

18 (No audible response.)

19 BILL HARRIS: I guess you can proceed then.

20 TIM SCOTT: That's all I have, Mr. Chairman.

21 BILL HARRIS: Okay. Do we have any further discussion  
22 or any discussion?

23 BRUCE PRATHER: I---.

24 BILL HARRIS: Mr. Prather.

25

1       BRUCE PRATHER: I have a question here. Is that well  
2 809770 has that been plugged and abandoned?

3       GUS JANSEN: That's a plugged and abandoned well to the  
4 north. That is correct.

5       BILL HARRIS: Any other questions?

6 (No audible response.)

7       BILL HARRIS: Do we have a motion?

8       MARY QUILLEN: Motion to approve.

9       BRUCE PRATHER: Second.

10       BILL HARRIS: Any further discussion?

11 (No audible response.)

12       BILL HARRIS: All in favor, say yes.

13 (All members signify by saying yes, but Donnie  
14 Ratliff.)

15       BILL HARRIS: Opposed, say no.

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

17       BILL HARRIS: One abstention, Mr. Ratliff. That item  
18 is approved.

19       TIM SCOTT: Thank you, Mr. Chairman.

20       BILL HARRIS: The next item is number twenty-two, a  
21 petition from Range Resources-Pine Mountain, Inc. for  
22 pooling of coal bed methane well Lover's Gap 147 known as  
23 Unit 78-Y, Prater District, Buchanan County, Virginia. The  
24 docket number is VGOB-11-0816-2984. We'd ask all parties  
25 who wish to speak to this item, please come forward.



1 Q. Okay. Does Range have drilling rights in this  
2 unit?

3 A. Yes, we do.

4 Q. And are there any parties respondent that we're  
5 going to dismiss today?

6 A. No, we're not.

7 Q. Now, explain to the Board exactly what we're doing  
8 here as far as how we are force pooling under B-3. It's a  
9 little bit of a different situation, is it not, than we  
10 typically have?

11 A. Yes. We're going to go ahead and let the...instead  
12 of the royalty going into escrow, go ahead and release the  
13 royalty to the oil and gas owners.

14 Q. Okay. And how was notice of this hearing  
15 provided?

16 A. By certified mail.

17 Q. And by what other means?

18 A. It was published in the Bluefield Daily Telegraph  
19 on August the 1<sup>st</sup>, 201<sup>1</sup>.

20 Q. And we don't have any unknowns, is that correct?

21 A. That's correct.

22 Q. And we filed our proof of publication and proof of  
23 mailing with the Board, is that right?

24 A. Yes, you have.

25

1 Q. And Range is authorized to conduct business in the  
2 Commonwealth?

3 A. That's correct.

4 Q. Have a blanket bond on file, is that right?

5 A. That's correct.

6 Q. Have a blanket bond on file, is that right?

7 A. That's correct.

8 Q. And if you were able to reach an agreement with  
9 the parties listed on B-3, what would be the terms that  
10 would be offered?

11 A. Thirty dollars per acre for a five year paid up  
12 lease that provides a one-eighth royalty.

13 Q. Is this fair compensation for a lease?

14 A. In my opinion.

15 Q. Okay. What percentage of the unit does Range have  
16 under lease?

17 A. 98.61%.

18 Q. And that does include ownership for Range, is that  
19 right?

20 A. That's correct.

21 Q. And what percentage are you seeking to pool?

22 A. 1.39%.

23 Q. And we have no escrow requirement, is that right?

24 A. That's correct.

25

1 Q. And you're requesting the Board to pool the  
2 unleased parties listed on Exhibit B-3, is that also  
3 correct?

4 A. That is correct.

5 Q. And that Range be named operator for this unit?

6 A. That's correct.

7 Q. Now, as far as notification or allowing the  
8 parties listed on B-3 to make an election, what would be  
9 the address that would be used for any elections made?

10 A. Range Resources-Pine Mountain, Inc., P. O. Box  
11 2136, Abingdon, Virginia 24212, Attention: Phil Horn.

12 Q. And that should be the address for all  
13 communications, is that correct?

14 A. That's correct.

15 TIM SCOTT: That's all I have for Mr. Horn.

16 BILL HARRIS: Questions from the members of the Board?

17 (No audible response.)

18 BILL HARRIS: You may continue.

19 TIM SCOTT: Thank you, Mr. Chairman.  
20  
21  
22  
23  
24  
25

1 IAN LUCAS

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

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. SCOTT:

6 Q. Mr. Jansen, your name, by whom you're employed and  
7 your job description.

8 A. My Gus Jansen. I'm employed by Range Resources-  
9 Pine Mountain, Inc. as the manager of geology.

10 Q. And you're familiar with this application, is that  
11 right?

12 A. I am.

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

14 A. 2,141 feet.

15 Q. And this is a coal bed methane well, is that  
16 right?

17 A. That is correct.

18 Q. What are the estimated reserves of this unit?

19 A. 275 million cubic feet of gas.

20 Q. Did you participate of the AFE for this unit?

21 A. Yes, I did.

22 Q. And you're familiar with the well costs, is that  
23 right?

24 A. I am.

25 Q. What's the estimated dry hole cost for this well?

1 A. \$157,678.

2 Q. And the completed well cost?

3 A. \$371,963.

4 Q. And, again, you just testified that you signed the  
5 AFE, is that right?

6 A. I actually did not sign this one. It was under my  
7 supervision.

8 Q. You didn't? Okay. But you did supervise it, is  
9 that right?

10 A. Yes.

11 Q. Okay. Does the AFE include a charge for  
12 supervision?

13 A. Yes, it does.

14 Q. Do you consider that to be a reasonable charge?

15 A. Yes, I do.

16 Q. In your opinion, if this application is granted it  
17 would prevent waste, protect correlative rights and promote  
18 conservation, is that correct?

19 A. That is correct.

20 TIM SCOTT: That's all I have for Mr. Jansen.

21 BILL HARRIS: Questions from Board members?

22 (No audible response.)

23 BILL HARRIS: You may continue.

24 TIM SCOTT: That's all I have, Mr. Chairman.

25 BILL HARRIS: Do we have a motion for this item?

1        MARY QUILLEN: Motion to approve.

2        BRUCE PRATHER: Second.

3        BILL HARRIS: Any further discussion?

4        (No audible response.)

5        BILL HARRIS: All in favor, say yes.

6        (All members signify by saying yes, but Donnie  
7 Ratliff.)

8        BILL HARRIS: Opposed, no.

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

10       BILL HARRIS: Mr. Ratliff abstains. That motion...that  
11 item passed.

12       TIM SCOTT: Thank you, Mr. Chairman.

13       BILL HARRIS: We'll move on to item twenty-three, a  
14 petition from Range Resources-Pine Mountain, Inc. for  
15 pooling of horizontal conventional gas well VH-530312,  
16 Lipps District, Wise County, Virginia, docket number is  
17 VGOB-11-0816-2985 and we'd ask all parties who wish to  
18 speak to this item, please come forward.

19       (Exhibits are passed out.)

20       TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for  
21 Range Resources-Pine Mountain, Inc.

22       BILL HARRIS: Okay. And the record will show there are  
23 no others. You may proceed.

24       TIM SCOTT: Thank you, Mr. Chairman.

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PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, once again, 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.

Q. Are you familiar with this application?

A. Yes, I am.

Q. And this is a provisional unit that was established by the Board, is that correct?

A. Yes, it was.

Q. Can you give us the docket number for that particular matter?

A. It was VGOB-09-1117-2640.

Q. And this unit contains 320 acres, is that right?

A. That's correct.

1 Q. And Range has drilling rights in this unit, is  
2 that also correct?

3 A. That is correct.

4 Q. Are we going to dismiss anybody listed on B-3  
5 today?

6 A. No, we're not.

7 Q. And this is another situation that I think you  
8 would like to explain to the Board what we're doing here,  
9 is that correct?

10 A. Yes. Basically, we're trying to straighten out  
11 our joint operating agreement. Some of our paperwork with  
12 Equitable we've decide that the cleanest thing to do was to  
13 go ahead and force pool them for their ownership in Tract  
14 3.

15 Q. Okay.

16 A. So, we're going to force pooling Equitable in this  
17 one.

18 Q. Okay. And as a result, what percentage of the  
19 unit is under lease to Range?

20 A. 98.16%.

21 Q. And how do we notice those parties on B of the  
22 hearing today?

23 A. By certified mail and also publication in the  
24 Coalfield Progress on August the 2<sup>nd</sup>, 2011.

25

1 Q. We don't have any unknowns in this unit, is that  
2 right?

3 A. That's correct.

4 Q. And we filed our proof publication and the mail  
5 certification with the Board, is that also correct?

6 A. That is correct.

7 Q. Now, Range is authorized to conduct business in  
8 the Commonwealth?

9 A. That is correct.

10 Q. And we have a blanket bond on file?

11 A. That's right.

12 Q. If you were to reach an agreement with the parties  
13 listed on Exhibit B-3, what would be the lease terms that  
14 you would offer?

15 A. Twenty-five dollars per acre for a five year lease  
16 that provides a one-eighth royalty.

17 Q. And, again, do you consider that to be fair  
18 compensation?

19 A. Yes, I do.

20 Q. Okay. What percentage of the unit is Range  
21 seeking to pool here?

22 A. 1.84%.

23 Q. Okay. And you're asking the Board to pool those  
24 parties listed on B-3, is that right?

25 A. That's correct.

1 q. Also, that Range would be named operator for this  
2 unit?

3 A. That's correct.

4 Q. Okay. And if you reach an agreement or this party  
5 elects to participate, what would be the address used for  
6 any participation elections?

7 A. Range Resources-Pine Mountain, Inc., P. O. Box  
8 2136, Abingdon, Virginia 24212, Attention: Phil Horn.

9 Q. And, again, that would be the address for all  
10 communications, is that right?

11 A. That's correct.

12 TIM SCOTT: Okay. That's all I have for Mr. Horn.

13 BILL HARRIS: Any questions from Board members?

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

15 BILL HARRIS: Yes, Mrs. Dye.

16 KATIE DYE: I notice that your production costs that  
17 are listed in your application, they don't match with  
18 what's on your AFE.

19 TIM SCOTT: The AFE is correct, is that right, Mr.  
20 Jansen?

21 KATIE DYE: It's probably just a typographical error.

22 GUS JANSEN: I'm not sure which numbers she's looking  
23 at.

24 TIM SCOTT: Which...which one is it?

25 GUS JANSEN: The application, I think---.



1 Q. And you're familiar with this application, is that  
2 right?

3 A. Yes, I am.

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

5 A. 9,187 feet.

6 Q. And this is a conventional well, is that right?

7 A. Conventional horizontal, yes.

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

9 A. 1 bcf.

10 Q. And as Mrs. Dye just asked you, you are familiar  
11 with the well cost, is that right?

12 A. Yes, that is correct.

13 Q. And the AFE was prepared under your supervision,  
14 is that correct?

15 A. That is correct.

16 Q. Now, what's the estimated dry hole costs for this  
17 unit?

18 A. \$687,298.

19 Q. And I had indicated or Mrs. Dye had asked the  
20 question between...the discrepancy between the application  
21 and the AFE. Would you please tell the Board what the  
22 correct estimated completed cost is?

23 A. The correct cost is \$1,307,375.

24 Q. Now, does the AFE contain...include a reasonable  
25 charge for supervision?

1           A.    Yes, it does.

2           Q.    And, again, you did participate in the preparation  
3 of this AFE, is that correct?

4           A.    That is correct.

5           Q.    In your opinion, if this application is granted,  
6 it would be...it would promote conservation, prevent waste  
7 and protect correlative rights, is that also correct?

8           A.    That is correct.

9           TIM SCOTT:   That's all I have for Mr. Jansen.

10          BILL HARRIS:   Questions from members of the Board?  
11          (No audible response.)

12          BILL HARRIS:   Okay.  You can continue then.

13          TIM SCOTT:   That's all I have, Mr. Chairman.

14          BILL HARRIS:   Okay.  Do we have a motion?

15          MARY QUILLEN:   Motion to approve.

16          DONNIE RATLIFF:   Second.

17          BILL HARRIS:   Any further discussion?  
18          (No audible response.)

19          BILL HARRIS:   All in favor, say yes.  
20          (All members indicate by saying yes, but Bruce Prather  
21 and Donnie Ratliff.)

22          BILL HARRIS:   Opposed, no.

23          BRUCE PRATHER:   Abstain.

24          BILL HARRIS:   One abstention, Mr. Prather.

25          DONNIE RATLIFF:   I'll abstain.

1 (Bill Harris confers with Sharon Pigeon.)

2 BILL HARRIS: Let's redo that motion, please.

3 TIM SCOTT: Back up.

4 BILL HARRIS: Yeah, let's back up. Okay, do we have a  
5 motion for this item?

6 MARY QUILLEN: Motion to approve.

7 BILL HARRIS: Okay. And do we have a second?

8 KATIE DYE: Second.

9 BILL HARRIS: Okay, fine. Now, any further discussion?

10 (No audible response.)

11 BILL HARRIS: All in favor, say yes.

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

14 BILL HARRIS: Opposed, no.

15 DONNIE RATLIFF: I'll abstain.

16 BRUCE PRATHER: I'll abstain.

17 BILL HARRIS: Okay. We have two abstentions, Mr.  
18 Ratliff and Mr. Prather. Thank you. That item has been  
19 approved.

20 TIM SCOTT: Thank you, Mr. Chairman.

21 GUS JANSEN: Thank you.

22 BILL HARRIS: Okay. Okay, I guess the Board will  
23 receive an update of Board and Division activities from  
24 staff.

25 RICK COOPER: We have no new activities to report.

1        BILL HARRIS: Okay. And so then the Board will review  
2 the July, 2011 minutes for approval. I'll entertain a  
3 motion whenever it's...strikes someone to make such a motion.

4        KATIE DYE: Motion to approve.

5        BILL HARRIS: Okay. We have a motion to approve.

6        BRUCE PRATHER: Second.

7        BILL HARRIS: Second. Any further discussion?

8        (No audible response.)

9        BILL HARRIS: All in favor, say yes.

10       (All members signify by saying yes.)

11       BILL HARRIS: Opposed, no.

12       (No audible response.)

13       BILL HARRIS: Motion passed. Thank you. I guess we  
14 stand adjourned.

15       BRUCE PRATHER: Mr. Chairman, will...will First Bank be  
16 in here at the next meeting so that we can get that  
17 situation resolved with CNX?

18       BILL HARRIS: I'm not---.

19       DIANE DAVIS: I don't---.

20       BILL HARRIS: Yeah, it may not be entirely First  
21 Bank's---.

22       RICK COOPER: Yeah, we agree. It may not be totally  
23 First---.

24       DIANE DAVIS: I think First Bank is providing and doing  
25 everything that we've asked them to do. All we need to do

1 is get those posted out there on the website, which we have  
2 already started doing.

3 RICK COOPER: We will have First Bank posted by the  
4 next meeting. Unless something terribly happens, it will  
5 be posted. You won't have to worry about that.

6 BRUCE PRATHER: Okay.

7 DIANE DAVIS: And then the older ones, we will get them  
8 posted as soon thereafter as possible.

9 MARY QUILLEN: But they will be here to update us on---  
10 .

11 DIANE DAVIS: They are...they are scheduled to be on here  
12 because remember they were going to do a special  
13 addressing---

14 MARY QUILLEN: Yes.

15 DIANE DAVIS: ---on the trend of disbursements.

16 MARY QUILLEN: Right.

17 DIANE DAVIS: So, they are on the docket for next  
18 month. Yes, ma'am.

19 MARY QUILLEN: Excellent.

20 BILL HARRIS: Okay. So, hopefully, we will have some  
21 resolution for all of this by that...by that time. Okay, we  
22 stand adjourned.

1 STATE OF VIRGINIA,  
2 COUNTY OF TAZEWELL, to-wit:

3 I, Sonya Michelle Brown, Court Reporter and Notary  
4 Public for the State of Virginia, do hereby certify that  
5 the foregoing hearing was recorded by me on a tape  
6 recording machine and later transcribed by me.

7 Given under my hand and seal on this the 19th day of  
8 September, 2011.

9

10

---

NOTARY PUBLIC

11

12 My commission expires: August 31, 2013.

13 My Notary Reg. #: 186661

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