

Virginia Department of Mines, Minerals and Energy

Virginia Gas and Oil Board

Minutes and results of hearing, January 20, 2004

Board members present: Mr. Brent, Mr. Harris, Mr. McIntyre, Mr. Wampler

1. The Virginia Gas and Oil Board received a year-end report on the Board's escrow account as administered by Wachovia Bank, Escrow agent for the Board.

At the end of the fourth calendar quarter, the escrow account showed a balance of \$8,156,166.54. During the quarter, deposits of \$384,999.57 and interest of \$16,588.36 were credited to the account. There were no disbursements or fees deducted during the quarter. For the calendar year, deposits totaled \$1,572,367.63 and interest totaled \$69,991.13. A total of \$414,824.65 was disbursed to claimants and \$60,000.00 in contract fees were paid to the escrow agent.

2. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AW-124, New Garden District, Russell County, Virginia. VGOB-03-1118-1223. Continued from December.

In the AW-124 unit, the applicant controls 95.7% of the coalbed methane interests and 89.5% of the gas interests, and seeks to pool the remaining 4.3% of the coalbed methane interests and 10.5% of the gas interests. Unleased coalbed methane acreage subject to pooling totals 2.50 net acres in one tract with seven unknown owners, and gas acreage subject to pooling totals 6.3 net acres in ten tracts with over 60 unleased owners. There are conflicting claimants and unlocated owners subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 5/27/03. Pooling was approved.

3. The Virginia Gas and Oil Board considered a miscellaneous petition from Linkous Horn Heirs to appear before the Gas and Oil Board to address concerns regarding units S-35, S-36, S-37, T-36, and T-37 located in the Oakwood 1 and 2 coalbed methane fields. VGOB-03-1118-1232. Continued from December.

Applicants addressed the Board regarding discrepancies and issues affecting the units listed above. Their application lists 13 topics that they wish to discuss. Applicants are surface and oil and gas royalty owners whose properties fall within the units. The Heirs, through a spokesman, expressed concerns and asked questions regarding Board procedures and production accounting. As appropriate, the Board took note of, addressed or will follow up on the concerns.

4. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit S-36, Garden District, Buchanan County, Virginia. VGOB-98-0324-0626-03. Continued from December.

The S-36 unit was previously pooled under Oakwood I rules and is being re-pooled under Oakwood II. In the S-36 unit, the applicant controls 100% of the coalbed methane interests and 58.8% of the gas interests, and seeks to pool the remaining 41.2% of the gas interests. Unleased gas acreage subject to pooling totals 32.97 net acres in four tracts with 26 unleased owners. There are conflicting claimants subject to escrow. The unit has been drilled and is producing. Pooling was approved.

5. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit S-37, Garden District, Buchanan County, Virginia. Docket 98-0421-0649-02. Continued from December.

The S-37 unit was previously pooled under Oakwood I rules and is being re-pooled under Oakwood II. In the S-37 unit, the applicant controls 100% of the coalbed methane interests and 98.9% of the gas interests, and seeks to pool the remaining 1.1% of the gas interests. Unleased gas acreage subject to pooling totals 0.9 net acres in one tract with 23 unleased owners. There are conflicting claimants subject to escrow. The unit has been drilled and is producing. Pooling was approved.

6. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit T-35, Garden District, Buchanan County, Virginia. VGOB-98-1020-0695-01. Continued from December.

The T-35 unit was previously pooled under Oakwood I rules and is being re-pooled under Oakwood II. In the T-35 unit, the applicant controls 100% of the coalbed methane interests and 99.8% of the gas interests, and seeks to pool the remaining 0.2% of the gas interests. Unleased gas acreage subject to pooling totals 0.14 net acres in one tract with one unleased owner. There are conflicting claimants subject to escrow. The unit has been drilled and is producing. Pooling was approved.

7. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit T-36, Garden District, Buchanan County, Virginia. VGOB-98-0324-0625-03. Continued from December.

The T-36 unit was previously pooled under Oakwood I rules and is being re-pooled under Oakwood II. In the T-36 unit, the applicant controls 100% of the coalbed methane interests and 54.5% of the gas interests, and seeks to pool the remaining 45.5% of the gas interests. Unleased gas acreage subject to pooling totals 36.4 net acres in 12 tracts with 34 unleased owners. There are conflicting claimants subject to escrow. The unit has been drilled and is producing. Pooling was approved.

8. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit T-37, Garden District, Buchanan County, Virginia. VGOB-98-0421-0650-02. Continued from December,

The T-37 unit was previously pooled under Oakwood I rules and is being re-pooled under Oakwood II. In the T-37 unit, the applicant controls 100% of the coalbed methane interests and 94.9% of the gas interests, and seeks to pool the remaining 5.1% of the gas interests. Unleased gas acreage subject to pooling totals 4.1 net acres in four tracts with 227 unleased owners. There are conflicting claimants subject to escrow. The unit has been drilled and is producing. Pooling was approved.

9. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed

methane unit AW-135, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-04-0120-1248.

In the AW-135 unit, the applicant controls 100% of the coalbed methane interests and 66.1% of the gas interests, and seeks to pool the remaining 33.9% of the gas interests. Unleased gas acreage subject to pooling totals 19.9 net acres in two tracts with two unleased owners. There are conflicting claimants and unknown owners subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 12/16/03 and a well has been drilled. Continued to February.

10. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AX-135, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-04-0120-1249.

In the AX-135 unit, the applicant controls 100% of the coalbed methane interests and 55.3% of the gas interests, and seeks to pool the remaining 44.7% of the gas interests. Unleased gas acreage subject to pooling totals 26.24 net acres in one tract with one unleased owner. There are conflicting claimants subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 9/8/03 and a well has been drilled. Pooling was approved.

11. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AZ-99, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-04-0120-1250.

In the AZ-99 unit, the applicant controls 100% of the coalbed methane interests and 93.3% of the gas interests, and seeks to pool the remaining 6.7% of the gas interests. Unleased gas acreage subject to pooling totals 3.95 net acres in one tract with four unleased owners. There are conflicting claimants subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 7/15/03. Pooling was approved.

12. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AZ-101, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-04-0120-1251.

In the AZ-101 unit, the applicant controls 100% of the coalbed methane interests and 91.6% of the gas interests, and seeks to pool the remaining 8.4% of the gas interests. Unleased gas acreage subject to pooling totals 4.96 net acres in two tracts with 10 unleased owners. There are no conflicting claimants or unknown owners subject to escrow. A permit to drill the unit was issued on 11/17/03. Pooling was approved.

13. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BA-99, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-04-0120-1252.

In the BA-99 unit, the applicant controls 100% of the coalbed methane interests and 71.1% of the gas interests, and seeks to pool the remaining 28.9% of the gas interests. Unleased gas acreage subject to pooling totals 29.4 net acres in three tracts with three unleased owners. There are conflicting claimants subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 9/12/03 and a well has been drilled. Pooling was approved.

14. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for pooling of coalbed

methane unit EE-11, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-04-0120-1254.

In the EE-11 unit, the applicant controls 93.1% of the coal and gas interests, and seeks to pool the remaining 6.9% of the interests. Acreage subject to pooling totals 5.5 net acres in one tract with one owner who has not leased to the applicant. There are no unlocated owners or conflicting claimants subject to escrow. A permit to drill the unit was issued on 2/6/03 and a well has been drilled and completed, and is producing. Pooling was approved.

15. The Virginia Gas and Oil Board considered a petition from Equitable Production Company for pooling of coalbed methane unit VC-501826, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-04-0120-1255.

In the VC-501826 unit, the applicant controls 100% of the coalbed methane interests and 59.6% of the gas interests, and seeks to pool the remaining 40.4% of the gas interests. Unleased gas acreage subject to pooling totals 23.7 net acres in two tracts with one unleased and unlocated heirship owner. There are conflicting claimants and unknown owners subject to escrow. A permit application has been submitted. Pooling was approved.

16. The Virginia Gas and Oil Board considered a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit EE-38, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-02-0521-1029-01.

In the EE-38 unit, the applicant controls 100% of the coalbed methane interests and 84.55% of the gas interests, and seeks to pool the remaining 15.45% of the gas interests. Unleased gas acreage subject to pooling totals 12.4 net acres in 10 tracts with over 60 unleased owners. There are conflicting claimants and unknown owners subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill the unit was issued on 3/9/01 and a well has been drilled and completed, and is producing. Pooling was approved.

17. The Virginia Gas and Oil Board considered a petition from Penn Virginia Oil and Gas Corporation for modification of Roaring Fork Field Order to allow for combining twenty-eight existing units into a single provisional unit for drilling of up to four horizontal CMB wells, Richmond and Gladeville Districts, Wise County, Virginia. Docket Number VGOB-94-0215-0435-01.

The applicant wishes to develop Roaring Fork Field coalbed methane production using horizontal drilling technology, and is requesting that field rules be modified to allow for the combining of 28 existing units into a single 2,240 acre producing unit that will be served by up to four wells drilled on a single site. Rule modification will also be necessary to allow for more than one well per existing unit. The applicant controls 100% of the fee interests (surface, coal, oil and gas), so there are no correlative rights issues. The provisional unit was approved.

18. The Virginia Gas and Oil Board considered a petition from Penn Virginia Oil and Gas Corporation for modification of Roaring Fork Field Order to allow for combining fifteen existing units into a single provisional unit for drilling of up to four horizontal CMB wells, Richmond District, Wise County, Virginia. Docket Number VGOB-94-0215-0435-02.

The applicant wishes to develop Roaring Fork Field coalbed methane production using horizontal drilling technology, and is requesting that field rules be modified to allow for the combining of 15 existing units into a single 1,200 acre producing unit that will be served by up to four wells drilled on a single site. Rule modification will also be necessary to allow for more than one well per existing unit. The applicant controls 100% of the fee interests (surface, coal, oil and gas), so there are no correlative rights issues. The provisional unit was approved.

19. The Virginia Gas and Oil Board considered an application for the disbursement of funds on deposit in the escrow account for Drilling Unit COGC #34 based on claimants' settlement of claims regarding ownership of gas production allocable to tracts wherein they own gas rights. Docket Number VGOB-97-0520-0584-01.

Previously unknown and unlocated claimants of oil and gas interests in the COGC #34 unit have been identified and located, and have reached agreement regarding escrowed and future royalty distribution. The claimants and the operator, Cabot Oil and Gas Corporation, are requesting disbursement of escrowed funds and direct payment of future royalties. Disbursement was approved.

The deadline for filing of petitions to the Board for the February hearing is 5 p.m., Thursday, January 15, 2004 with the hearing scheduled for 9 a.m. on Tuesday, February 17, 2004 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.

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