

## Virginia Department of Mines, Minerals and Energy

## Virginia Gas and Oil Board

Minutes and results of hearing, July 19, 2005

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

1. The Board received a quarterly report on the board escrow account as administered by Wachovia Bank, Escrow Agent for the Virginia Gas and Oil Board.

Opening balance for the quarter was \$10,836,613.95. The account received deposits of \$722,361.02 plus interest of \$70,109.31, and was debited for \$70,109.31 in disbursements leaving a closing balance of \$11,621,185.51. Closing interest rate for the quarter was 2.86%. For the first half of the calendar year, \$40,088.39 was disbursed from the account by Board orders.

2. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BE-110, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0621-1460.

In the BE-110 58.74-acre unit, the operator controls 79.04% of the coal and gas interests, and seeks to pool the remaining 20.96% of the interests. Unleased acreage subject to pooling totals 12.3 net acres in one tract with one unleased owner. There are no conflicting claimants or unknown owners subject to escrow. A permit to drill was issued on 4/29/05. Pooling was approved.

3. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-110, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0621-1461.

In the BF-110 58.74-acre unit, the operator controls 93.1% of the coal and gas interests, and seeks to pool the remaining 6.9% of the interests. Unleased acreage subject to pooling totals 4.1 net acres in two tracts with three unleased owner. There are no conflicting claimants or unknown owners subject to escrow. A permit to drill was issued on 4/29/05. Pooling was approved.

4. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BG-109, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0621-1462.

In the BG-109 58.74-acre unit, the operator controls 89.8% of the coal and gas interests, and seeks to pool the remaining 10.2% of the interests. Unleased acreage subject to pooling totals 6.0 net acres in one tract with four unleased owner. There are no conflicting claimants or unknown owners subject to escrow. A permit to drill was issued on 5/10/05. Pooling was approved.

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

methane unit BG-110, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0621-1463.

In the BG-110 58.74-acre unit, the applicant controls 94.0% of the coal interests and 93.2% of the gas interests, and seeks to pool the remaining 6.0% of the coal interests and 6.8% of the gas interests. Unleased coal acreage subject to pooling totals 3.5 net acres in one tract with two unleased owners, and gas acreage subject to pooling totals 4.0 net acres in two tracts with three unleased owners. There are no conflicting claimants subject to escrow. A permit to drill the unit was issued on 5/17/05. Pooling was approved.

6. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BH-109, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0621-1464.

In the BH-109 58.74-acre unit, the applicant controls 93.6% of the coal interests and 92.3% of the gas interests, and seeks to pool the remaining 6.4% of the coal interests and 7.7% of the gas interests. Unleased coal acreage subject to pooling totals 3.8 net acres in one tract with two unleased owners, and gas acreage subject to pooling totals 4.5 net acres in two tracts with three unleased owners. There are no conflicting claimants subject to escrow. A permit to drill the unit was issued on 4/29/05. Pooling was approved.

7. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BH-110, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0621-1465.

In the BH-110 58.74-acre unit, the applicant controls 99.2% of the coal interests and 94.1% of the gas interests, and seeks to pool the remaining 0.8% of the coal interests and 5.9% of the gas interests. Unleased coal acreage subject to pooling totals 0.5 net acres in one tract with two unleased owners, and gas acreage subject to pooling totals 3.6 net acres in three tracts with three unleased owners. There are no conflicting claimants subject to escrow. A permit to drill the unit was issued on 4/29/05. Pooling was approved.

8. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BB-122, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0719-1475.

In the BB-122 58.74-acre unit, the applicant controls 91.5% of the coal interests and 78.7% of the gas interests, and seeks to pool the remaining 8.5% of the coal interests and 21.3% of the gas interests. Unleased coal acreage subject to pooling totals 5.0 net acres in seven tract with 10 unleased owners, and gas acreage subject to pooling totals 12.5 net acres in 13 tracts with 16 unleased owners. There are conflicting claimants subject to escrow. A permit application has been submitted. Pooling was approved.

9. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-119, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0719-1476.

In the BF-119 58.74-acre unit, the operator controls 99.3% of the coal and gas interests, and seeks to pool the remaining 0.7% of the interests. Unleased acreage subject to pooling totals 0.5 net acres in one tract with seven unleased owner. There are no conflicting claimants or unknown owners subject to escrow, but there are conflicting claimants subject to existing royalty split agreements. A permit to drill was issued on 6/28/05. Pooling was approved.

10. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC appealing a decision by the Director of the Division of Gas and Oil regarding a Stay issued against Permit No. 6108, well CBM C29, Garden District, Buchanan County, Virginia. Docket Number VGOB-05-0719-1477.

A Stay was placed on permit application 6108 pending modification of the permit to notify and provide rights to a landowner who was omitted from the original application. The landowner refused to provide consent to stimulate the well, a requirement for issuance of the permit, but, after being pooled by the Board, elected to participate in the well as a working interest partner. The permit applicant petitioned for lifting of the Stay on the grounds that election to participate in the well was tacit consent to stimulate. The request to lift the Stay was denied. The Board overturned the Director's decision and required that the stay be lifted.

11. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for creation and pooling of conventional gas unit V-503807, Gladeville District, Wise County, Virginia. Docket Number VGOB-05-0719-1478.

In the V-503807 112.69-acre conventional gas unit, the applicant controls 74.3% of the oil and gas interests, and seeks to pool the remaining 25.7% of the interests. Unleased acreage subject to pooling totals 29.1 net acres in three tracts having 109 unleased owners. There are unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

12. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for re-pooling of conventional gas unit 25407, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-04-0921-1340-01.

In the 25407 112.69-acre conventional gas unit, the applicant controls 97.9% of the oil and gas interests, and seeks to pool the remaining 2.1% of the interests. Unleased acreage subject to pooling totals 2.4 net acres in one tract having five unleased owners. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

13. The Virginia Gas and Oil Board heard a petition from Hard Rock Exploration, Inc. for a well location exception for proposed well HRVAE #11, Garden District, Buchanan County, Virginia. Docket Number VGOB-05-0719-1479.

The HRVAE #11 well is to be drilled under Pilgrims Knob Field Rules which specify that no well may be drilled within 1700 feet of another well in the same pool without an exception granted by the Board. The proposed well is to be located 1654 feet from existing well EH-19. The location exception was approved.

14. The Virginia Gas and Oil Board heard a petition from Hard Rock Exploration, Inc. for pooling of conventional gas unit PK-L22, well HRVAE #11, Garden District, Buchanan County, Virginia. Docket Number VGOB-05-0719-1480.

In the HRVAE #11 180-acre conventional gas unit, the applicant controls 76.3% of the oil and gas interests, and seeks to pool the remaining 23.7% of the interests. Unleased acreage subject to pooling totals 42.6 net acres in three tracts having three owners who are not leased to the applicant. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

15. The Virginia Gas and Oil Board heard a petition from Appalachian Energy, Inc. for creation and pooling of conventional gas unit AE-151, Willis District, Dickenson County, Virginia. Docket Number VGOB-05-0719-1481.

In the AE-151 101.1-acre conventional gas unit, the applicant controls 92.4% of the oil and gas interests, and seeks to pool the remaining 7.6% of the interests. Unleased acreage subject to pooling totals 7.7 net acres in one

tract having three owners who are not leased to the applicant. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

16. The Virginia Gas and Oil Board heard a petition from Appalachian Energy, Inc. for a well location exception for proposed well AE-151, Willis District, Dickenson County, Virginia. Docket Number VGOB-05-0719-1482.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 296 feet closer to existing Appalachian Energy well EH-54 than the 2500 feet mandated by spacing. The exception is needed to maintain a 500' buffer from the Pine Mountain Trail. No permit application has been submitted. The location exception was approved.

17. The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for creation and pooling of conventional gas unit Plum Creek Well #16-05, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-05-0719-1483.

In the Plum Creek #16-05 112.69-acre conventional gas unit, the applicant controls 78.4% of the oil and gas interests, and seeks to pool the remaining 21.6% of the interests. Unleased acreage subject to pooling totals 24.3 net acres in three tracts having four owners who are not leased to the applicant. There are no unlocated owners subject to escrow. A permit to drill the unit was issued on 6/27/05. Pooling was approved.

18. The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for pooling of conventional gas unit PK L-15, well Plum Creek #15-05, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-05-0719-1484.

In the PK L-15 Plum Creek #15-05 180-acre conventional gas unit, the applicant controls 79.2% of the oil and gas interests, and seeks to pool the remaining 20.8% of the interests. Unleased acreage subject to pooling totals 37.4 net acres in two tracts having eight owners who are not leased to the applicant. There are unlocated owners subject to escrow. A permit application has been submitted. Continued to the August hearing at the request of the applicant.

The deadline for filing of petitions to the Board for the August hearing is 5 p.m., Friday, July 15, 2005 with the hearing scheduled for 9 a.m. on Tuesday, August 16, 2005 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.

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