

Virginia Department of Mines, Minerals & Energy

Virginia Gas and Oil Board

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Minutes and results of hearing, October 18, 2005

Board members present: Mr. Brent, Mr. Harris, Mr. McIntyre, Ms. Quillen, Mr. Ratliff

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

Opening balance for the quarter was \$11,621,185.51. The account received deposits of \$447,881.73 plus interest of \$82,868.64, and was debited for \$365,853.94 in disbursements and \$30,000.00 in bank contract fees leaving a closing balance of \$11,756,081.94. Closing interest rate for the quarter was 3.54.

2. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit W-8, Prater District, Buchanan County, Virginia. Docket Number VGOB-05-0816-1490. Continued from August.

In the W-8 80-acre unit, the applicant controls 100% of the coal interests and 56.8% of the gas interests, and seeks to pool the remaining 43.2% of the gas interests. Unleased gas acreage subject to pooling totals 34.6 net acres in seven tracts with four unleased owners. There are conflicting claimants subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill was issued on 6/27/05. Pooling was approved.

3. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit X-8, Prater District, Buchanan County, Virginia. Docket Number VGOB-05-0816-1491. Continued from August.

In the X-8 80-acre unit, the applicant controls 100% of the coal interests and 78.7% of the gas interests, and seeks to pool the remaining 21.3% of the gas interests. Unleased gas acreage subject to pooling totals 17.0 net acres in three tracts with three 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 was issued on 6/27/05. Pooling was approved.

4. The Virginia Gas and Oil Board heard a petition from Hard Rock Exploration, Inc. for pooling of conventional gas unit HRVAE #12, PK K-20, Garden District, Buchanan County, Virginia. Docket Number VGOB-05-0920-1502. Continued from September.

In the HRVAE #12, K-20 180-acre conventional gas unit, the applicant controls 39.3% of the oil and gas interests, and seeks to pool the remaining 60.7% of the interests. Unleased acreage subject to pooling totals 109.2 net acres in four tracts having five owners who are leased to a different operator. There are no unlocated owners subject to escrow. No permit application has been submitted. Continued to November hearing at the request of the applicant.

5. The Virginia Gas and Oil Board heard a petition from Pauline McCoy for disbursement of funds from escrow

and authorization for direct payment of royalties on Tract 1, Unit VC-3594, Kenady District, Dickenson County, Virginia. Docket Number VGOB-96-0820-0552-02.

The applicant is owner of oil and gas rights in the subject unit, and is party, along with the coal owner claimant, to an agreement that conveys 100% of the coalbed methane interests to the oil and gas owner. Disbursement of funds was approved.

6. The Virginia Gas and Oil Board heard a petition from prevailing plaintiffs for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 4F, unit V-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0638-01.

This unit contains tracts that are subject to a recent Buchanan County Circuit Court decision awarding total ownership of coalbed methane gas to the Plaintiff, Dewey Rowe. Disbursement of funds was approved.

7. The Virginia Gas and Oil Board heard a petition from prevailing plaintiffs for disbursement of funds from escrow and authorization for direct payment of royalties on Tracts 2A and 3A, unit V-34, Garden District, Buchanan County, Virginia. Docket Number VGOB-99-0216-0710-01.

This unit contains tracts that are subject to a recent Buchanan County Circuit Court decision awarding total ownership of coalbed methane gas to the Plaintiff, Dewey Rowe. Disbursement of funds was approved.

8. The Virginia Gas and Oil Board heard a petition from prevailing plaintiffs for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 1A, unit W-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-0324-0627-03.

This unit contains tracts that are subject to a recent Buchanan County Circuit Court decision awarding total ownership of coalbed methane gas to the Plaintiff, Dewey Rowe. Disbursement of funds was approved.

9. The Virginia Gas and Oil Board heard a petition from prevailing plaintiffs for disbursement of funds from escrow and authorization for direct payment of royalties on Tracts 4A, 4B, 4D and 4E, unit W-34, Garden District, Buchanan County, Virginia. Docket Number VGOB-97-0318-0571-04.

This unit contains tracts that are subject to a recent Buchanan County Circuit Court decision awarding total ownership of coalbed methane gas to the Plaintiff, Dewey Rowe. Disbursement of funds was approved.

10. The Virginia Gas and Oil Board heard a petition from Melvin Jack Long appealing the decision of the Director of the Division of Gas and Oil to issue permit for coalbed methane well VC-536078 for operations in the Kenady District, Dickenson County, Virginia subsequent to Informal Fact Finding Conference 17005. Docket Number VGOB-05-1018-1494.

Petitioner, a surface owner, objected to the proposed operations on the grounds that the operations would unreasonably interfere with owner's use of the surface. The Director, ruling that the operations did not constitute an "unreasonable infringement", denied the objection. Continued to November at the request of the appellant.

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

methane unit AY-96, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1504.

In the AY-96 58.79-acre unit, the operator controls 99.5% of the coal and gas interests, and seeks to pool the remaining 0.5% of the interests. Unleased acreage subject to pooling totals 0.3 net acres in one tract having one owner who is not leased to the applicant. There are conflicting owners subject to escrow. A permit to drill was issued on 10/5/05. Pooling was approved.

12. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BB-134, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-05-1018-1505.

In the BB-134 58.74-acre unit, the operator controls 99.96% of the coal and gas interests, and seeks to pool the remaining 0.04% of the interests. Unleased acreage subject to pooling totals 0.02 net acres in one tract having one unleased owner. There are no conflicting owners or unknown owners subject to escrow. A permit to drill was issued on 2/18/05, and a well has been drilled and completed. Pooling was approved.

13. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BE-107, New Garden District, Russell County, Virginia. Docket Number VGOB-05-1018-1506.

In the BE-107 58.74-acre unit, the applicant controls 96.7% of the coal interests and 73.8% of the gas interests, and seeks to pool the remaining 3.3% of the coal interests and 26.2% of the gas interests. Unleased coal acreage subject to pooling totals 1.93 net acres in three tracts with 17 unleased owners, and gas acreage subject to pooling totals 15.7 net acres in five tracts with 18 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 was issued on 8/26/05. Pooling was approved.

14. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-101, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1507.

In the BF-101 58.78-acre unit, the applicant controls 100% of the coal interests and 16.3% of the gas interests, and seeks to pool the remaining 83.7% of the gas interests. Unleased gas acreage subject to pooling totals 49.2 net acres in four tracts with 25 unleased claimants. There are conflicting claimants and unknown owners subject to escrow. A permit to drill was issued on 6/28/05. Pooling was approved.

15. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BG-102, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1508.

In the BG-102 58.77-acre unit, the applicant controls 100% of the coal interests and 85.4% of the gas interests, and seeks to pool the remaining 14.6% of the gas interests. Unleased gas acreage subject to pooling totals 8.6 net acres in seven tracts with 18 unleased claimants. There are conflicting claimants and unknown owners subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill was issued on 6/24/05. Pooling was approved.

16. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BH-102, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1509.

In the BH-102 58.76-acre unit, the applicant controls 99.1% of the coal interests and 95.7% of the gas interests, and seeks to pool the remaining 0.9% of the coal interests and 4.3% of the gas interests. Unleased coal acreage subject to pooling totals 0.5 net acres in one tract with 30 unleased owners, and gas acreage subject to pooling totals 2.5 net acres in four tracts with 48 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 was issued on 9/21/05. Pooling was approved.

17. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit FF-14, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1510.

In the FF-14 89.4 -acre unit, the applicant controls 100% of the coal interests and 86.8% of the gas interests, and seeks to pool the remaining 13.2% of the gas interests. Unleased gas acreage subject to pooling totals 11.8 net acres in 15 tracts with 22 unleased claimants. There are conflicting claimants and unknown owners subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill was issued on 8/12/05. Pooling was approved.

18. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit FF-15, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1511.

In the FF-15 89.74 -acre unit, the applicant controls 100% of the coal interests and 89.6% of the gas interests, and seeks to pool the remaining 10.4% of the gas interests. Unleased gas acreage subject to pooling totals 9.3 net acres in two tracts with one unleased claimant. There are conflicting claimants subject to escrow and conflicting claimants subject to existing royalty split agreements. A permit to drill was issued on 10/5/05. Pooling was approved.

19. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tracts II and IJ, unit FF-33, New Garden District, Buchanan and Russell Counties, Virginia. Docket Number VGOB-03-0415-1142-01.

Conflicting claimants in VGOB Tracts II and IJ have entered into an agreement to divide funds attributable to that tract and to receive direct payment of future royalties according to the agreement. Disbursement of funds was approved.

20. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tracts 2A, 2B and 3B, unit EE-33, Garden/New Garden Districts, Buchanan and Russell Counties, Virginia. Docket Number VGOB-02-0820-1054-01.

Conflicting claimants in VGOB Tracts 2A, 2B and 3B have entered into an agreement to divide funds attributable to that tract and to receive direct payment of future royalties according to the agreement. Disbursement of funds was approved.

21. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for a well location exception for proposed well V-536762, Kenady District, Dickenson County, Virginia. Docket Number VGOB-05-1018-1512.

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 289 feet closer to existing Equitable gas well P-122 than the 2500 feet mandated by spacing. The exception is needed because of property owner requirements. A permit application has been submitted. The location exception was approved.

22. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for creation and pooling of conventional gas unit V-536762, Kenady District, Dickenson County, Virginia. Docket VGOB-05-1018-1513.

In the V-536762 112.69-acre conventional gas unit, the applicant controls 97.2% of the oil and gas interests, and seeks to pool the remaining 2.8% of the interests. Unleased acreage subject to pooling totals 3.1 net acres in two tracts having five

unleased owners. There are no unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

23. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536626, Prater District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1514.

In the VC-536626 58.77-acre unit, the applicant controls 100% of the coal interests and 0% of the gas interests, and seeks to pool the remaining 100% of the gas interests. Unleased gas acreage subject to pooling totals 58.77 net acres in one tract with one unleased and unknown claimant. There are conflicting claimants and unknown owners subject to escrow. A permit to drill was issued on 10/5/05. Pooling was approved.

24. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536614, Prater District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1515.

In the VC-536614 58.77-acre unit, the applicant controls 100% of the coal interests and 0% of the gas interests, and seeks to pool the remaining 100% of the gas interests. Unleased gas acreage subject to pooling totals 58.77 net acres in one tract with one unleased and unknown claimant. There are conflicting claimants and unknown owners subject to escrow. A permit to drill was issued on 10/5/05. Pooling was approved.

25. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for creation and pooling of conventional unit V-536200, Lipps District, Wise County, Virginia. Docket Number VGOB-05-1018-1516.

In the V-536200 112.69-acre conventional gas unit, the applicant controls 84.5% of the oil and gas interests, and seeks to pool the remaining 15.5% of the interests. Unleased acreage subject to pooling totals 17.5 net acres in three tracts having three unleased owners. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

26. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for creation and pooling of conventional unit V-504909, Lipps District, Wise County, Virginia. Docket Number VGOB-05-1018-1517.

In the V-504909 112.69-acre conventional gas unit, the applicant controls 97.5% of the oil and gas interests, and seeks to pool the remaining 2.5% of the interests. Unleased acreage subject to pooling totals 2.8 net acres in three tracts having three unleased owners. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

27. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536619, Prater District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1518

In the VC-536619 58.77-acre unit, the applicant controls 100% of the coal interests and 0% of the gas interests, and seeks to pool the remaining 100% of the gas interests. Unleased gas acreage subject to pooling totals 58.77 net acres in one tract with one unleased and unknown claimant. There are conflicting claimants and unknown owners subject to escrow. A permit to drill was issued on 10/5/05. Pooling was approved.

28. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for a well location

exception for proposed well 823540, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1519.

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 75 feet closer to existing CNR gas well 9636 than the 2500 feet mandated by spacing. The exception is needed in order to prevent loss of resources. No permit application has been submitted. The location exception was approved.

29. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for a well location exception for proposed well 824446, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1520.

The applicant seeks an exception in order to drill a conventional well closer to three existing wells than allowed under statewide spacing. The proposed well is to be 54 feet closer to existing CNR gas well 20214, 121 feet closer to existing CNR well 9515, and 184 feet closer to existing CNR well 9518 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resources and because of topographic considerations. No permit application has been submitted. The location exception was approved.

30. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for a well location exception for proposed well 821789, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1521.

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 260 feet closer to existing CNR gas well 20340 than the 2500 feet mandated by spacing. The exception is needed to prevent loss of resources. No permit application has been submitted. The location exception was approved.

31. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for creation and pooling of conventional unit 825518, Prater District, Buchanan County, Virginia. Docket Number VGOB-05-1018-1522

In the 825518 112.69-acre conventional gas unit, the applicant controls 98.5% of the oil and gas interests, and seeks to pool the remaining 1.5% of the interests. Unleased acreage subject to pooling totals 1.7 net acres in one tract having one unleased and unknown owner. There are unlocated owners subject to escrow. A permit to drill the unit was issued on 9/27/05. Pooling was approved.

32. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for re-pooling of conventional unit 25407, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-04-09/21-1340-02.

In the 25407 112.69-acre conventional gas unit, the applicant controls 99.5% of the oil and gas interests, and seeks to pool the remaining 0.5% of the interests. Unleased acreage subject to pooling totals 0.6 net acres in two tracts having three unleased owners. There are unlocated owners subject to escrow. This unit was originally pooled on 9/21/04 and was re-pooled on 7/19/05. No permit application has been submitted. Pooling was approved.

The deadline for filing of petitions to the Board for the November hearing is 5 p.m., Friday, October 14, 2005 with the hearing scheduled for 9 a.m. on Tuesday, November 15, 2005 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.