

Virginia Department of Mines, Minerals & Energy
Virginia Gas and Oil Board

Minutes and results of hearing, January 15, 2008

Board members present (Quorum was established): Ms. Barber, Ms. Dye, Mr. Harris, Mr. Prather, Ms. Quillen, Mr. Wampler

1. The Board will receive 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 \$18,437,702.83. The account received deposits of \$184,655.97 plus interest income (net of expenses) of \$184,655.97, and was debited for \$681,962.97 in disbursements leaving a closing balance of \$18,514,865.13. Annualized interest rate for the quarter was 5.04%. For the calendar year, the account received \$2,880,421.25 in deposits, \$754,937.40 in interest, and was debited for \$1,062,656.85 in disbursements. The account showed a net increase for the year of \$2,572,701.80.

2. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit U-7, Prater District, Buchanan County, Virginia. Docket Number VGOB-07-1218-2096. Continued from December 2007.

In the U-7 80-acre unit, the applicant controls 100% of the coal and 92.2% of the gas interests, and seeks to pool the remaining 7.8% of the gas interests. Unleased gas acreage subject to pooling totals 6.26 net acres in two tracts having two unleased claimants. There are conflicting claimants subject to escrow. A permit to drill the unit was issued in 1994, and a permit application for a second well in the unit has been submitted. Pooling was approved under Oakwood I rules.

3. The board will hear testimony for correction of ownership information pertaining to previously approved disbursement of escrowed funds for tracts 2, 4 and 5, unit VC-2832, Castlewood District, Russell County, Virginia. Docket Number VGOB-02-1217-1109-01.

The Board approved disbursement of funds from the VC-2832 unit on October 16, 2007. An owner who was subject to disbursement has notified staff that ownership has changed. The unit operator is correcting ownership information for the record and to facilitate completion of disbursement orders. Ownership information was corrected; disbursement order can be processed.

4. The board will hear testimony for correction of ownership information pertaining to previously approved disbursement of escrowed funds for tracts 1 and 5, unit VC-1853 Castlewood District, Russell County, Virginia. Docket Number VGOB-00-0516-0815-01.

The Board approved disbursement of funds from the VC-1853 unit on October 16, 2007. An owner who was subject to disbursement has notified staff that ownership has changed. The unit operator is correcting ownership information for the record and to facilitate completion of disbursement orders. Ownership information was corrected; disbursement order can be processed.

5. The board will hear testimony for correction of ownership information pertaining to previously approved disbursement of escrowed funds for tracts 1, 2, 4 and 5, unit VC-536070, Castlewood District, Russell County, Virginia. Docket Number VGOB-04-0921-1337-01.

The Board approved disbursement of funds from the VC-536070 unit on October 16, 2007. An owner who was subject to disbursement has notified staff that ownership has changed. The unit operator is correcting ownership information for the record and to facilitate completion of disbursement orders. Ownership information was corrected; disbursement order can be processed.

6. A petition from Equitable Production Company for pooling of coalbed methane unit VC-505190, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-08-0115-2112.

In the VC-505190 58.77-acre unit, the applicant controls 97.7% of the coal and gas interests, and seeks to pool the remaining 2.3% of the interests. Unleased acreage subject to pooling totals 1.4 net acres in one tract having one unleased owners. There are no conflicting claimants subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

7. A petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-170 (I-37), Garden District, Buchanan County, Virginia. Docket Number VGOB-08-0115-2113.

In the I-37 80.2-acre unit, the applicant controls 98.9% of the coal interests and 84.1% the gas interests, and seeks to pool the remaining 1.1% of the coal interests and 15.9% of the gas interests. Unleased coal acreage subject to pooling totals .9 net acres in one tract with one unleased owner. Unleased gas acreage totals 12.8 net acres in one tract having one unleased owner. There are no conflicting claimants subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

8. A petition from Dart Oil and Gas Corporation for pooling of conventional gas unit Wolfe Creek 043301, Clearfork District, Tazewell County, Virginia. Docket Number VGOB-08-0115-2114.

In the 043301 200-acre conventional gas unit, the applicant controls 91.1% of the oil and gas interests, and seeks to pool the remaining 8.9% of the interests. Unleased acreage subject to pooling totals 17.8 net acres in four tracts having three unleased

owners. There are no unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

9. A petition from Dart Oil and Gas Corporation for pooling conventional gas unit Banner 043201, Clearfork District, Tazewell County, Virginia. Docket Number VGOB-08-0115-2115.

In the 043201 200-acre conventional gas unit, the applicant controls 88.1% of the oil and gas interests, and seeks to pool the remaining 11.9% of the interests. Unleased acreage subject to pooling totals 23.8 net acres in seven tracts having eight unleased owners. There are no unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

10. A petition from Range Resources - Pine Mountain, Inc. for establishment of a 320-acre conventional gas unit for drilling of horizontal wells, Kenady District, Dickenson County Virginia. Docket Number VGOB-08-0115-2116.

The applicant is seeking to establish a provisional 320-acre square unit for the drilling of a horizontal well or wells to deep (non-coal) horizons. Requested relief would include provisions for drilling of horizontal wells into any of several conventional horizons, and the payment of royalties to all owners within the unit according to their percentage ownership in the unit. The provisional unit was approved.

11. A petition from Range Resources - Pine Mountain, Inc. for establishment of a 320-acre conventional gas unit for drilling of horizontal wells, Kenady District, Dickenson County Virginia. Docket Number VGOB-08-0115-2117.

The applicant is seeking to establish a provisional 320-acre square unit for the drilling of a horizontal well or wells to deep (non-coal) horizons. Requested relief would include provisions for drilling of horizontal wells into any of several conventional horizons, and the payment of royalties to all owners within the unit according to their percentage ownership in the unit. The provisional unit was approved.

12. A petition from Hard Rock Exploration, Inc. for a well location exception for proposed conventional well HRVAE #24, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-08-0115-2118.

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 169 feet closer to existing Hard Rock Exploration gas well HRVAE #16 than the 2500 feet mandated by spacing. The exception is needed to accommodate coal operations. An application for permit to drill the unit has been submitted. The location exception was approved.

13. The board will hear testimony for correction of ownership information pertaining to previously approved disbursement of escrowed funds for tract 2, unit V-504637, Kenady District, Dickenson County, Virginia. Docket Number VGOB-01-1016-0968-01.

On August 21, 2007, the Board authorized disbursement of escrowed funds to Clara Smith, Executrix of the estate of James O. Smith. An order was executed but disbursement could not be made due to the fact that the estate has been settled and the Executrix position was dissolved. Ownership information was corrected; disbursement order can be processed.

14. A petition from Equitable Production Company on behalf of Barbara Smith, Margaret Peacock, Wilda Smith and Range Resources-Pine Mountain, Inc. for disbursement of funds from escrow and authorization of direct payments of royalties on Tract 4, unit V-504637 Kenady District, Dickenson County, Virginia. Docket Number VGOB-01-1016-0968-02.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Disbursement of escrowed funds was approved.

15. A petition from CNX Gas Company, LLC for creation and pooling of coalbed methane unit TA-38, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-08-0115-2119.

In the TA-38 40.57-acre unit, the applicant controls 87.8% of the coal and gas interests, and seeks to pool the remaining 12.2% of the interests. Unleased acreage subject to pooling totals 4.9 net acres in one tract having four unleased owners. There are no conflicting claimants subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

16. A petition from CNX Gas Company, LLC for creation and pooling of conventional gas unit AB-78(CV), Prater District, Buchanan County, Virginia. Docket Number VGOB-08-0115-2120.

In the AB-78(CV) 112.69-acre conventional gas unit, the applicant controls 76.5% of the oil and gas interests, and seeks to pool the remaining 23.5% of the interests. Unleased acreage subject to pooling totals 26.5 net acres in eight tracts having 22 unleased owners. There are no unlocated owners subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

17. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit AY-134, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-08-0115-2121.

In the AY-134 58.74-acre unit, the applicant controls 100% of the coal and 59.2% of the gas interests, and seeks to pool the remaining 40.8% of the gas interests. Unleased gas acreage subject to pooling totals 23.9 net acres in nine tracts having 13 unleased claimants. 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 12/17/07. Continued to February.

18. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit AZ-143, Maiden Springs District, Tazewell County, Virginia. Docket Number VGOB-08-0115-2122.

In the AZ-143 58.74-acre unit, the applicant controls 85.3% of the coal and gas interests, and seeks to pool the remaining 14.7% of the interests. Unleased acreage subject to pooling totals 8.6 net acres in three tracts having three unleased owners. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit was issued on 11/20/07. Pooling was approved.

19. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit BH-121, New Garden District, Russell County, Virginia. Docket Number VGOB-08-0115-2123.

In the BH-121 58.74-acre unit, the applicant controls 100% of the coal and 95.5% of the gas interests, and seeks to pool the remaining 4.5% of the gas interests. Unleased gas acreage subject to pooling totals 2.6 net acres in six tracts having five unleased claimants. 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 12/10/07. Pooling was approved.

20. A petition from CNX Gas Company, LLC for pooling of conventional gas unit WWW-21(CV), North Grundy District, Buchanan County, Virginia. Docket Number VGOB-08-0115-2124.

In the WWW-21 (CV) 112.69-acre conventional gas unit, the applicant controls 85.9% of the oil and gas interests, and seeks to pool the remaining 14.1% of the interests. Unleased acreage subject to pooling totals 15.8 net acres in four tracts having six unleased owners. There are no unlocated owners subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

21. A petition from CNX Gas Company on behalf of Hurt McGuire Land Trust, Arthur Stilwell, Joe Nipper, Donald Nipper and Virginia Stilwell for the disbursement of funds from escrow and authorization of direct payments of royalties on Tracts 1B, 1C, 1D and 4D, Unit U-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0421-0648-02.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Disbursement of escrowed funds was approved.

22. A petition from CNX Gas Company on behalf of Buckhorn Coal Company and Mike Rasnake for the disbursement of funds from escrow and authorization of direct payments of royalties on tracts 2E and 2F, Unit AY-112, New Garden District, Russell County, Virginia. Docket Number VGOB-01-0320-0877-01.

Owners with conflicting claims to escrowed royalty funds have reached an agreement under Section 45.1-361.22.A(ii) allowing for distribution of funds attributable to their interests. Disbursement of escrowed funds was approved.

23. A petition from Range Resources - Pine Mountain, Inc. for a well location exception for proposed well V-536706, Kenady District, Dickenson County, Virginia. Docket Number VGOB-08-0115-2125.

The applicant seeks an exception in order to drill a conventional well closer to two existing wells than allowed under statewide spacing. The proposed well is to be 360 feet closer to existing Equitable gas well P-130, and 123 feet closer to existing Equitable gas well P-118 than the 2500 feet mandated by spacing. The application states that there is no legal location. No application for permit to drill the unit has been submitted. The location exception was approved.

24. A petition from Range Resources - Pine Mountain, Inc. for a well location exception for proposed well V-530052, Kenady District, Dickenson County, Virginia. Docket Number VGOB-08-0115-2126.

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 230 feet closer to existing Equitable gas well P-390, 555 feet closer to existing Equitable gas well P-353, and 580 feet closer to existing Equitable gas well P-244 than the 2500 feet mandated by spacing. The application states that there is no legal location. No application for permit to drill the unit has been submitted. The location exception was approved.

25. A petition from Hard Rock Exploration, Inc. for a well location exception for proposed well HRVAE #25, South Grundy District, Buchanan County, Virginia. Docket Number VGOB-08-0115-2127.

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 474 feet closer to existing Hard Rock Exploration gas well HRVAE #20 than the 2500 feet mandated by spacing. The exception is needed because of topographic constraints. An application for permit to drill the unit has been submitted. The location exception was approved.

The Virginia Gas and Oil Board called for public comments regarding Board matters immediately following the final Docket item.

Charles Bartlett presented evidence of discrepancies between gas production reported to the state and that reported to royalty owners. The Board will order the operator to appear with an explanation for the discrepancies.

John Sheffield, Buchanan County mineral owner, informed the Board that he had not received certain results of poolings and had not been able to make elections. He also asked questions about timing of Board orders and supplemental orders.

The deadline for filing of petitions to the Board for the February 2008 hearing is 5 p.m., Thursday, January 17, 2008 with the hearing scheduled for 9 a.m. on Tuesday, February 19, 2008 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.