

1
2
3
4 VIRGINIA OIL AND GAS CONSERVATION BOARD
5

6
7 HEARING OF FEBRUARY 18, 1992
8

9 9:00 A. M.
10

11 AT THE SOUTHWEST VIRGINIA 4-H CENTER
12

13 ABINGDON, VIRGINIA
14
15
16
17
18
19
20
21
22
23
24
25

INDEX

<u>ITEM</u>	<u>PAGE</u>
1	3
2	84
3	86
4	87
5	132
6	153
7	171
8	171
9	184
10	
11	
12	
13	
14	
15	
16	
17	
18	
19	
20	
21	
22	
23	
24	
25	

February 18, 1992

This matter came on to be on this the 18th day of February, 1992, before the Virginia Gas and Oil Conservation Board, at the Southwestern Virginia 4-H Center, Abingdon, Virginia.

MR. WAMPLER: Good morning. My name is Benny Wampler. I'm Assistant Director of Mining for the Virginia Department of Mines, Minerals and Energy. I'll ask our Board to introduce themselves, starting to my left.

(Members introduced.)

MR. CHAIRMAN: The first item on today's agenda is the Board reviewing the escrow agent RFP. I will just read to you a memorandum I received from Donald Copeland, our senior buyer. He and a group of our panel that interviews interviewed the three top ranked candidates. "After completing discussions and negotiations with the following organizations, Crest Star Bank, Richmond, Virginia, Tazewell National Bank, Tazewell, Virginia, Nation's Bank of Virginia in Richmond, Virginia, it is the consensus of the review committee that Crest Star Bank and Tazewell National Bank have the capability to be our escrow agent. However, it is the recommendation of the committee that Tazewell National Bank of Tazewell, Virginia be awarded the contract with the deciding factors being low cost as

1 well as their familiarity and knowledge with the gas and
2 oil business, particularly coal bed methane. When the
3 Board makes its final decision, this office will award a
4 four year contract to that organization. Please advise
5 if the Office of General Services can be of further
6 assistance." So upon the interviews, it is their
7 recommendation -- change somewhat as they often do --
8 they did interview the top three selective firms. The
9 recommendation from the committee is Tazewell National
10 Bank of Tazewell, Virginia.

11 MR. MCGLOTHLIN: Mr. Chairman?

12 MR. CHAIRMAN: Mr. McGlothlin.

13 MR. MCGLOTHLIN: I would move that we accept the recommenda-
14 tion and get this escrow agent under our belt and move
15 on.

16 MR. EVANS: Second.

17 MR. CHAIRMAN: A motion and a second. Any further discussion?
18 All in favor signify by saying yes. Oppose say no.

19 (MOTION CARRIES.)

20 MR. CHAIRMAN: Thank you. We will enter into a contract,
21 then, with The Tazewell National Bank for a four year
22 term.
23
24
25

ITEM 1

MR. CHAIRMAN: The next item on the agenda was continued from the January docket. A petition to establish longwall panel units designated -- I'll just give you the docket number, VGOB-92/01/21-0100. I'll ask the parties that wish to address the Board on this matter to come forward to the table, please. Those of you in the audience, is there any others that wish to address to Board or do you want to reserve the right to address the Board after this presentation? You're free to move to the table if you want to address the Board on this matter.

MR. STEELE: I would like to.

MR. CHAIRMAN: Would you state your name for the record, please?

MR. STEELE: Bob Steele.

MR. CHAIRMAN: Any others?

MR. SWARTZ: Mark Swartz for OXY, USA. I'll just reserve.

MRS. STEELE: I'm Ruth Steele. Bob Steele, my son, is representing me.

MRS. DESKINS: I'm Agnes Deskins.

MR. CHAIRMAN: Can you hear back there? If you can't, I'm going to encourage you to move forward again because when these folks are making a presentation and have their

1 backs to you. you need to try to get where you can hear
2 okay. We'll ask everyone to -- we'll try to speak up,
3 but feel free to move forward if you can't hear. Mr.
4 Jones.

5 MR. JONES: Mr. Chairman, Members of the Board, my name is Jim
6 Jones. along with my partner, Elizabeth McClannahan. I
7 represent the Pocahontas Gas Partnership in its applica-
8 tion to establish units for methane gas and active gob
9 gas interests underlying the proposed SLW5 through 12
10 units. These are proposed units in Buchanan County.
11 The Pocahontas Gas Partnership controls the majority of
12 the vast majority of the interest in these units. The
13 Board will recall, of course, in the LW2 through 10
14 units, any LW2 through 10 units which Pocahontas Gas
15 Partnership successfully applied for at the Board's
16 hearing on November 19, 1991, we believe that the
17 evidence that the Board will hear today from our wit-
18 nesses will be similar to that which the Board heard in
19 regard to those units. Mr. Chairman, Members of the
20 Board, the existing rules for the Oakwood Coalbed Methane
21 field, pursuant to this application, should be modified
22 to establish the requirement contained in the code which
23 states that the Board shall require that drilling units
24 conform to the mine development plan. In addition, we
25 will present evidence and ask the Board to consider a

1 modification because our application provides for a fair
2 allocation so that correlative rights are more adequately
3 protected. That our application provides for an alloca-
4 tion that can be more easily explained to royalty owners.
5 That the application provides for more administrative
6 efficiency. That it promotes mine safety and, for the
7 other reasons that we will present to the Board.

8 Accordingly, Mr. Chairman, Members of the Board, we
9 respectfully seek relief from the Board in the form of
10 an Order for the establishment of drilling units for
11 those interests in the proposed SLW5 through 12 units
12 designated in this application. Unless there are other
13 questions, Mr. Chairman, we would like to proceed with
14 our evidence.

15 MR. CHAIRMAN: Any other questions, Members of the Board, at
16 this time?

17 MR. MCGLOTHLIN: Mr. Chairman.

18 MR. CHAIRMAN: Mr. McGlothlin.

19 MR. MCGLOTHLIN: Mr. Jones, PGP, Pocahontas Gas Partnership,
20 submitted an amended application from the continued
21 hearing last month. Were those amended applications sent
22 to everybody that had the right or eligible to receive?

23 MR. JONES: Yes, Mr. McGlothlin. I would ask my partner, MR.
24 McClanahan, to call our first witness, Mr. Chairman.

25 MR. CHAIRMAN: Go ahead.

1 MS. MCCLANAHAN: I'd like to call Les Arrington.
2
3

4 LESLEY K. ARRINGTON

5 a witness who, after having been duly sworn, was examined and
6 testified as follows:

7 DIRECT EXAMINATION
8

9 BY MS. MCCLANAHAN:

10 Q. Mr. Arrington, would you please state your full name for
11 the record?

12 A. Lesley K. Arrington.

13 Q. Your address?

14 A. 36 Mountaintop Drive, Princeton, West Virginia.

15 Q. And your profession.

16 A. I'm a permit specialist with Consolidation Coal Company.

17 Q. By whom are you employed? Consolidation Coal Company,
18 you said is your employer?

19 A. Yes.

20 Q. Your position with Consol?

21 A. Permit specialist for Pocahontas Gas Partnership.

22 Q. What are your responsibilities and duties as the permit
23 specialist.

24 A. Assembling and collecting data for permitting and
25 applications before the Virginia Gas and Oil Board.

1 Q. What is your educational background?

2 A. I have an Associate of Science Degree in mechanical
3 engineering technology, and a Bachelor of Science in
4 civil engineering from Bluefield State College.

5 Q. Has there been a continuous property acquisition program
6 in the development of the Buchanan Number 1 mine which
7 underlies the south longwall 5 through 12 units?

8 A. Yes, there has.

9 Q. How are the names of the potential owners of the coalbed
10 methane and coalbed methane located in the active gob
11 area identified?

12 A. From courthouse records, mapping, and field research.

13 Q. Since the development of the mine began, how much of the
14 coal estate is controlled by Pocahontas Gas Partnership
15 in each of the units?

16 A. Okay, in south longwall 5 --

17 Q. Okay, first of all, before we do this, have you -- we'll
18 distribute the exhibit books so that you all will have
19 these exhibits in front of you before we introduce each
20 of them.

21 MR. CHAIRMAN: Before you go on, I'll introduce Sandy Riggs to
22 the folks here. Sandy is with the Attorney General's
23 Office -- Assistant Attorney General. And Lane Scott
24 came in, he's in the back of the room, if you'll kind of
25 wave --

1 Q. (Ms. McClanahan continues.) Mr. Arrington, Exhibit 1 as
2 shown on the slide in the Exhibit book, that represents
3 Pocahontas Gas Partnership's position as far as coal
4 control goes in the south longwall 5 through 12 units, is
5 that correct?

6 A. Yes, ma'am, it does.

7 Q. What are those percentages?

8 A. In south longwall 5, we have 97.75 percent of the
9 Pocahontas Number 3 seam and 100 percent of all coal
10 below the tiller seam, less the P3. That's 346.024
11 acres. South longwall 6, we have 96.12 percent of the
12 Pocahontas Number 3 seam and 100 percent of all coal
13 below the tiller seam less the P3 of 185.915 acres.
14 South longwall 7, we have 98.96 percent of the Pocahon-
15 tas Number 3 seam and 95.43 percent of all coal below the
16 tiller seam less the P3 of 185.385 acres. South longwall
17 8, we have 96.07 percent of the Pocahontas Number 3 seam
18 and 99.93 percent of all coal below drainage less the P3
19 of 181.82 acres. South longwall 9, we have 96.03 percent
20 of the Pocahontas Number 3 seam and 91.15 percent of all
21 coal below the tiller seam less the P3 of 182.52 acres.
22 South longwall 10, we have 96.079 percent of the Pocahon-
23 tas Number 3 seam and 95.234 percent of all coal below
24 the tiller seam less the P3 of 183.379 acres. South
25 longwall 11, we have 96.955 percent of the Pocahontas

1 Number 3 seam and 96.352 percent of all coal below the
2 tiller seam less the P3 of 182.732 acres. In south
3 longwall 12, we have 96.101 percent of the Pocahontas
4 Number 3 seam and 91.999 percent of all coal below the
5 tiller seam less the P3 seam of 441.3 acres.

6 MR. MCCLANAHAN: We would submit Exhibit 1, which shows these
7 percentages as POP's Exhibit 1.

8 (POP's Exhibit 1 received.)

9 Q. (MR. McClanahan continues.) Mr. Arrington, could you now
10 tell us what percentage of the oil and gas is controlled
11 by Pocahontas Gas Partnership in the 5 through 12 units?

12 A. In south longwall 5, we have 80.80 percent.

13 Q. Just one second, Mr. Arrington, that is shown on Exhibit
14 2, is that correct?

15 A. Yes. South longwall 6, we have 49.58 percent, south
16 longwall 7, we have 27.77 percent, south longwall 8, we
17 have 58.706 percent, south longwall 9, we have 61.43
18 percent, south longwall 10, we have 83.1 percent, south
19 longwall 11, we have 75.739 percent and south longwall
20 12, we have 60.641 percent.

21 MR. MCCLANAHAN: We would submit this as Pocahontas Gas
22 Partnership's Exhibit 2.

23 (POP's Exhibit 2 received.)

24 Q. (MR. McClanahan continues.) With regard to the coal bed
25 methane gas that's located in the 5 through 12 units,

1 what percentage of control does Pocahontas Gas Partner-
2 ship have in the units.

3 A. Okay. South longwall 5, we have 97.75 percent --

4 Q. Mr. Arrington, that is shown on Exhibit 3, is that
5 correct?

6 A. Yes, it is. South longwall 6, we have 96.12 percent.
7 South longwall 7, we have 98.96 percent. South longwall
8 8, we have 96.07 percent. South longwall 9, we have
9 96.03 percent. South longwall 10, we have 96.079
10 percent. South longwall 11, we have 95.955 percent.
11 South longwall 12, we have 96.101 percent.

12 Q. You have coal bed methane leases on 95.805 percent of the
13 entire acreage covered by the south longwall 5 through 12
14 units, is that correct?

15 A. Yes.

16 MS. MCCLANAHAN: We would submit this as POP's Exhibit 3.
17 (POP's Exhibit 3 received.)

18 Q. (Ms. McClanahan continues.) These ownership control
19 percentages that you've just listed for the Board, are
20 these the same percentages that are listed on the
21 amended application as it was filed?

22 A. No. On the amended application, I'm sorry.

23 Q. On the original application?

24 A. The original, no.

25 Q. What were the changes between the original and the

1 amended application?

2 A. Since the filing, we have located additional parties and
3 that's submitted as new exhibits C and D.

4 Q. Those new application pages and new exhibits C and D are
5 Pocahontas Gas Partnership Exhibit 4, as shown in the
6 exhibit book. We would submit that as PGP's Exhibit 4.

7 (PGP's Exhibit 4 received.)

8 Q. Have you also acquired additional interest in the south
9 longwall 5 through 12 since the date of filing of the
10 application?

11 A. Yes.

12 Q. Have all of these parties been properly notified of the
13 amended application?

14 A. Yes.

15 Q. Do you propose that each of the tracts in each of the
16 units participate on a surface acreage basis?

17 A. Yes, we do.

18 Q. Do the plats and acreage totals on the exhibits reflect
19 the relative contribution that each tract is expected to
20 make to each of the south longwall 5 through 12 longwall
21 panel unit production?

22 A. Yes.

23 Q. Who are the owners of the coal below the tiller seam?

24 A. Hugh McCray land trust, Consolidation Coal Company, Yukon
25 Pocahontas Coal, Sayers Pocahontas Coal, Buchanan Coal

1 Company and Georgia-Pacific. Coal Mountain Mining
2 Company, Kurt McGuire heirs, Lucy Wade, et al, Common-
3 wealth of Virginia, The Virginia Department of Transpor-
4 tation.

5 Q. Are these also your coal lessors?

6 A. Yes, they are. Not now, I'm sorry. Consolidation Coal
7 Company has a lease from Hugh McCray land trust, Coal
8 Mountain Mining and Kurt McGuire heirs. We have a
9 designation of operator from Consolidation Coal Company.
10 We have a sublease from Island Creek Coal Company for the
11 Pocahontas Number 3 seam on the Yukon Pocahontas Coal
12 Company tracts and the Lucy Wade tract.

13 Q. The hearing notices that are listed as Exhibits 5, 6 and
14 7 in the exhibit book, are those the hearing notices that
15 were mailed to each of the parties?

16 A. Yes, it was.

17 Q. How was the notice mailed?

18 A. By certified mail, return receipt requested.

19 Q. Do you have the return receipts for these mailings?

20 A. Yes, I have and they also have been submitted to the
21 inspector.

22 Q. Those return receipts are at Exhibit 8?

23 A. Yes.

24 MS. MCCLANAHAN: We would submit those copies of the return
25 receipts as PGP's Exhibit 8.

1 (PGP's Exhibit 8 received.)

2 Q. (Ms. McClanahan continues.) Also, the copies at Exhibit
3 9, are those the copies of return receipts to the amended
4 application.

5 A. For the amended application, Exhibit 10.

6 Q. Could you tell us what the return receipts are at
7 Exhibit 9?

8 A. That was for the requested continuation at the January
9 hearing.

10 Q. Those were sent at the request of the Board, is that
11 correct?

12 A. Yes, ma'am, they were.

13 MS. MCCLANAHAN: We would submit those as PGP's Exhibits 9 and
14 10.

15 (PGP's Exhibit 9 received.)

16 (PGP's Exhibit 10 received.)

17 Q. (Ms. McClanahan continues.) The persons whose names
18 and/or addresses are listed as unknown, how were they
19 notified?

20 A. By publication of the original notice in the Virginia
21 Mountaineer, The Bristol Herald and The Bluefield Daily
22 Telegraph on 1-2-92, 1-1-92, and 12-27-91, respectively.
23 By publication of the continuation notice in the Virginia
24 Mountaineer and The Bluefield Daily Telegraph on 1-30 and
25 1-25-92 and of the amended application in The Bristol

1 Herald and the Bluefield Daily Telegraph on 1-28 and 1-
2 30-92.

3 Q. Have the originals of those proofs of publication been
4 submitted to the Gas and Oil Board?

5 A. Yes, and copies.

6 MS. MCCLANAHAN: Those are all the questions we have of Mr.
7 Arrington.

8 MR. CHAIRMAN: Let me just ask a clarifying question.

9 Exhibit 9 represents the return receipts for the amended
10 application?

11 MR. ARRINGTON: Number 9 is for the request from the Board to
12 mail out the request.

13 MR. CHAIRMAN: To continue the hearing?

14 MR. ARRINGTON: Yes, the continuance and 10 is the amended
15 application.

16 MR. CHAIRMAN: And 10 was the amended application. Okay,
17 thank you. Any other questions, Members of the Board?

18 MS. MCCLANAHAN: We would like to call Mr. Kormendy as our
19 second witness.

20
21
22 KENNETH JOHN KORMENDY

23 a witness, after having been duly sworn, was examined and
24 testified as follows:
25

DIRECT EXAMINATION

BY MS. MCCLANAHAN:

Q. Mr. Kormandy, could you please state your full name for the record?

A. Kenneth John Kormandy.

Q. And your address?

A. 2807 Newton Court, Blacksburg, Virginia.

Q. Your profession?

A. I'm a project geologist.

Q. By whom are you employed?

A. Consol, Inc.

Q. And your position with Consol?

A. As a project geologist.

Q. What are your responsibilities and duties as a project geologist?

A. As a project geologist, my duties include that a geologic and complete site characteristics of project areas within the southern Appalachian region.

Q. Your educational background?

A. I have a bachelor of science in geology from Bowling Green University in Ohio. I have a Masters of Science from Kent State University in Ohio and various courses, mining engineering, environmental science, computer science.

- 1 Q. Are you a licensed professional geologist?
- 2 A. I'm certified as a professional geologist by the Common-
3 wealth of Virginia and also by the American Institute of
4 Professional Geologists.
- 5 Q. Could you give us a brief history of your work back-
6 ground, please?
- 7 A. I've worked for Consolidation Coal and now Consol, Inc.
8 for 14 and 1/2 years, both in the northern Appalachian
9 and southern Appalachian regions. My current projects
10 include the Buchanan Mine area and in eastern Kentucky.
11 I also -- as I'm here today -- provide geologic advising
12 on projects concerned with our operating groups, our
13 corporate headquarters and Conoco, Inc.
- 14 Q. Are you a member of any professional associations?
- 15 A. I'm a member of the American Institute of Professional
16 Geologists and the Association of Groundwater Scientists
17 and Engineers.
- 18 Q. Have you written any articles or books on gas production
19 or coal geology subjects?
- 20 A. My thesis dealt with the release of heavy metals from
21 coal mine over burden. I co-authored our company's
22 technical standards manual on exploration which covered,
23 parts of it, for coal bed methane. I've also written
24 numerous articles and reports on geology and coal
25 resources in the southern Appalachians.

1 Q. Have you ever been qualified as an expert witness in
2 geology before the Virginia Gas and Oil Board?

3 A. Yes, I have.

4 MS. MCCLANAHAN: We would submit Mr. Kormendy as an expert in
5 geology.

6 Q. (Ms. McClanahan continues.) What is the nature and
7 character of the producing coal seams that are listed on
8 the unit application for the south longwall 5 through 12
9 units?

10 A. What I'd like to do today, through the use of four
11 exhibits, kind of give the Board a general idea of the
12 geology that underlies the south longwall 5 through 12.
13 The first one would be the general strat column of the
14 area which would be Exhibit 14, I believe. What I'd like
15 to do is this displays the coal seams involved underneath
16 the proposed unit here today. Go through and go down in
17 stratigraphic order and list the thicknesses. What I've
18 done is, for the use of the computer, got the general or
19 the average thickness for the coal seams within this
20 particular unit here. Starting down below the Tiller,
21 the first seam would be the Castle, .64 feet. The upper
22 Seaboard, 1.43, the Greasy Creek, 1.29, middle Seaboard,
23 1.87, lower Seaboard, .9. The Upper Horsepen is 1.5, the
24 Middle Horsepen is 1.6, the Sea seam is .61. Pocahontas
25 11 is 2.1. P10 is 1.19, Lower Horsepen, 1.59. P9 is

1 1.48, P8, .92, P7, .66, P6, 1.11, P5, 1.09, P4, 1.31 and
2 the P3 is 5.08 feet there.

3 Q. Could you explain the similarities in the structure of
4 the coal seams?

5 A. What we did on this is we picked two seams, the most
6 prominent or the nameable coal seam underneath the Tiller
7 which is the Castle. We provided a structure and isopac
8 map for that which is Exhibit Number 11.

9 Q. First of all, so that we don't get confused, is it okay
10 if we just mark this as Exhibit 14 even though we're not
11 to Exhibit 14 yet? I think that would be easier.

12 A. Oh, I'm sorry. What we've done on this is taken the
13 Castle seam, displayed the structure of the seam based on
14 mean sea level for the bottom of the seam. The colored
15 lines indicate the structure on 20 foot intervals, the
16 dark lines -- the black lines -- indicate the seam
17 thickness.

18 Q. Okay, excuse me, just to make sure we're all together,
19 This is Exhibit 12. Go ahead, Ken.

20 A. The next one we did, which is the Pocahontas Number 3
21 seam, approximately 1220 feet of stratigraphic interval
22 between the two coal seams. We did the same thing. We
23 had the computer generate structure and isopac maps. The
24 point of this is that just to show you the geologic
25 envelope.

1 MR. EVANS: Is that Exhibit 11 -- are we back to 11 for the
2 Poco 3 or what -- 13?
3 MR. FULMER: I'm sorry. The one he's talking about is P3.
4 I've got it in my book as Exhibit Number 12.
5 MR. EVANS: I'm confused here as to what we're talking about.
6 MS. MCCLANAHAN: Okay, 12 is the P3.
7 MR. KORMENDY: What I've done, Mr. Evans, is --
8 MR. EVANS: I'm talking about -- just exhibit numbers. I'm
9 looking -- you've got the P3 and the Castle.
10 MS. MCCLANAHAN: Ken, look at the book here and help him
11 figure out which --
12 MR. EVANS: Okay, I see. What I've got is Exhibit Number 11
13 is the Castle and Number 12 is the P3?
14 MR. KORMENDY: Yes, sir. Yes, sir. What I've done is just
15 try to show the similarities of the geologic envelope
16 that is contained underneath the south longwall 5 through
17 12. Both of these seams, the P3 and the Castle, like I
18 said, have about 1220 feet of structure or stratigraphic
19 interval between them. The coal seams and this black
20 strata, themselves, dip to the northwest from 1 to 1.4
21 degrees. When you combine both structures of the 3 and
22 the castle seam, that will be Exhibit 13. As you can
23 see, those structure lines parallel each other and that
24 denotes that the structure in this area is the same for
25 that whole section within that area. And the intervening

1 strata between the coal seams that I've listed and
2 between these two coal seams, the Castle and the Pocahon-
3 tas 3 seam, are composed of sandstone, sandy shales, and
4 fire clays, usually very low porous sediments to make up
5 these areas because a lot of clay content in this.

6 Q. (Ms. McClanahan continues.) Does the acreage that's
7 covered by each of these units underlying by at least
8 one coal bed capable of producing coal bed methane?

9 A. Yes.

10 Q. What is the location of the Pocahontas formation.

11 A. The Pocahontas formation is the lowest formation within
12 the section here. It's probably about 600 to 700 feet in
13 thickness. The 3 seam lies about 300 feet above the red
14 and green Mississippi and Shales. Two other formations
15 overlie the Pocahontas, the Lee formation and the
16 Norton, it takes you up through to the top of the ridges.

17 Q. Could you explain the similarities between the Pocahontas
18 Norton and Lee formations?

19 A. As I said, with the different lithologists that make it
20 up with the Sandstone, sandy shale Shales and fire clays,
21 are all pretty much the same throughout the section. The
22 only difference is in the Lee formations, is the sand-
23 stone that we call a quartz site, which is composed
24 almost entirely of quartz and it's very hard indurated
25 sand because when it was compacted, the sand grains grew

1 into each other. So it's a very low porosity. The other
2 sandstone in the section are just what I would call a
3 dirty sand -- composed of quartz and a lot of accessory
4 minerals, especially clays. Again, the sandy shales is
5 composed of the sand grains and clay particles, shales
6 and the fire clay is entirely of clay particles and some
7 plant fossils.

8 MR. MCCLANAHAN: Those are all the questions we have for Mr.
9 Kormendy.

10 MR. CHAIRMAN: Any questions, Members of the Board?

11 MR. MASON: Yes, sir.

12 MR. CHAIRMAN: Mr. Mason:

13 MR. MASON: Are you familiar with the geological strata of the
14 Oakwood field in general?

15 MR. KORMENDY: Yes, sir.

16 MR. MASON: How does the structure of the area within this red
17 square differ from the overall structure of the Oakwood
18 field?

19 MR. KORMENDY: Basically, I think what you would get would
20 just be the degree of depth. Everything usually sits on
21 the northwest flank of the Dry Fork anticline. And all
22 the strata dips, basically, to the northwest.

23 MR. MASON: Okay, so there would just be a question of the
24 degree of the slope or --

25 MR. KORMENDY: Degree of slope and the thicknesses of the coal

1 seams within because they do vary as in the original
2 testimony for Oakwood. A lot of them are discontinuous,
3 thin --

4 MR. MASON: As would they vary to some degree within this
5 block as well?

6 MR. KORMENDY: Yes, they would.

7 MR. MASON: Would it be fair to say that the geological
8 formation contained within this area is not materially
9 different from the rest of the Oakwood field?

10 MR. KORMENDY: It is not materially different, no.

11 MR. MASON: Thank you.

12 MR. CHAIRMAN: Any other questions, Members of the Board?

13 MS. MCCLANAHAN: I would move the introduction of Exhibits 12
14 through 14.

15 (PGP's Exhibit 12 received.)

16 (PGP's Exhibit 13 received.)

17 (PGP's Exhibit 14 received.)

18 MS. MCCLANAHAN: We would like to call Mr. Claude Morgan.
19
20

21 CLAUDE DALE MORGAN

22 a witness who, after having been duly sworn, was examined and
23 testified as follows:
24
25

DIRECT EXAMINATION

BY MS. MCCLANAHAN:

Q. Mr. Morgan, could you please state your full name for the record?

A. Claude Dale Morgan.

Q. Your address?

A. 2222 Fairfield Avenue, Bluefield, West Virginia.

Q. By whom are you employed?

A. Consolidation Coal Company.

Q. Your position with Consol?

A. Manager of gas projects.

Q. Your responsibilities and duties as manager of gas projects?

A. Overview of the existing Pocahontas Gas Partnership as well as other proposed projects within the company.

Q. What is your educational background?

A. Bachelor of Science, civil engineering.

Q. Your work background?

A. I've been with Consol for 19 years in various positions, including designing construction, environmental quality control and, most recent, until February the 1st, I was regional manager of engineering and environmental affairs for the southern Appalachian region.

Q. Have you ever been qualified as an expert witness?

1 A. Yes, I have.
2 Q. Before the Virginia Gas and Oil Board?
3 A. Yes, I have.
4 MS. MCCLANAHAN: We would submit Mr. Morgan as an expert in
5 mining engineering.
6 Q. (Ms. McClanahan continues.) When did Consol begin the
7 development of the Buchanan #1 mine and the Pocahontas
8 #3 seam?
9 A. Construction started in the spring of '80.
10 Q. When was the construction of the facility completed?
11 A. 1985.
12 Q. Have you developed a plan for this particular mine?
13 A. Yes, we have.
14 Q. How is the Pocahontas Gas Partnership project a part of
15 this mine plan?
16 A. When we began development of the Buchanan Number 1 mine,
17 we knew from drill holes that we had into the seam and
18 from experience of neighbors who were mining in the seam
19 adjacent to us, that the Pocahontas #3 seam in this area
20 was one of the gassiest in this country and that we --
21 one of the big impediments to mining would be the
22 removal of the coal bed methane from the seam. We
23 started a program in September of '84, experimentally, to
24 try to remove the coal bed methane from the seam prior to
25 mining. We drilled two holes into the -- what has been

1 termed in a previous application our BUN 1 area and the
2 first longwall panel to be mined from that area. Those
3 two holes were hydraulically fractured in the 3 seam. We
4 drilled the holes through the 3 seam, fractured the seam,
5 left the holes above capable of being used as gob
6 ventilation holes when the longwall mining came through
7 later. That, on its own, was not sufficient to drain the
8 methane from the seam prior to mining. We began a
9 program of drilling horizontal holes into the developed
10 longwall panels once the continuous miner had driven
11 entries around the panels to be mined, connected these
12 holes to a pipeline, took that pipeline to another
13 vertical hole to the surface. All of this gas -- methane
14 -- was being vented to the atmosphere. As part of this
15 mining process, that the longwall mining mined through
16 the holes that had been drilled ahead of mining, were
17 converted to gob ventilation holes so we had three -- we
18 developed three forces of coal bed methane from this
19 experimental work that we were doing at this time. One
20 being the fracked production from the 3 seam that was
21 drilled ahead of mining. The other being the horizontal
22 or short hole production drilled into the longwall panels
23 immediately prior to long wall mining. The third being
24 the gob production upon completion of the longwall
25 mining. This program was expanded and, due to the

1 success of these first holes, the program was expanded.
2 We started moving farther ahead with the holes to do more
3 degasification of the seam.

4 Q. With regard to the south longwall 5 through 12 units, the
5 exhibit that's shown on the slide there, which is also
6 Exhibit 16 in the book, does that show the existing
7 vertical ventilation holes that are presently in those
8 particular panels as they have been proposed?

9 A. Nine of those holes are existing. Number 128, which is
10 the farthest to the east is permitted, but not drilled
11 at this time.

12 Q. And were those drilled as vertical ventilation holes?

13 A. They were.

14 Q. And then Exhibit 17 what does that represent?

15 A. That represents the holes that we intend to drill and
16 frack for removal of the methane from the Pocahontas #3.

17 Q. So those would be the additional wells that would be
18 drilled?

19 A. Yes, it would.

20 MS. MCCLANAHAN: I would introduce those Pocahontas Gas
21 Partnership Exhibits 16 and 17.

22 (PGP's Exhibit 16 received.)

23 (PGP's Exhibit 17 received.)

24 Q. (Ms. McClanahan continues.) What volume of methane did
25 the coal seams below the Tiller seam in this particular

1 unit area contain?

2 A. A typical longwall unit, as projected here, would contain
3 below the Tiller approximately four and a half billion
4 cubic feet.

5 Q. With regard to the different kinds of production that you
6 explained earlier what are the average production numbers
7 for a typical unit area for fracked gas, short hole
8 production and gob gas?

9 A. Typically a fracture into the 3 seam based on the many
10 wells that we have drilled prior to -- for the first
11 three years will average about 85,000 cubic feet per day
12 and then about a ten percent per year decline. The short
13 hole production based on the many longwall panels that we
14 have mined previously and drilled we have seen approxi-
15 mately fifteen million cubic feet of methane liberated
16 per thousand foot of longwall panel.

17 Q. Does this production data support the proposed units and
18 the modification of the Oakwood orders?

19 A. Yes, it does.

20 Q. Could you please explain why Consol needs an exception to
21 the eighty acre spacing unit prescribed by the Oakwood
22 order and the 1991 temporary order amendment to the
23 Oakwood order?

24 A. We feel that for a simpler and fairer allocation of the
25 tons and for royalties on the methane produced that our

1 longwall unit scenario with the time frames proposed in
2 this application and the mining within this unit area
3 will take place within a 1 1/2 to 9 year period. We
4 should be mining this area within 1 1/2 years. We should
5 finish mining the area within 9 years. We have a rapidly
6 changing scenario. We drill the wells, we fracture the 3
7 seam, we produce from that 3 seam. For the first panel,
8 within a year and a half, we will be longwall mining that
9 panel. The frack production will be decreasing. We'll
10 be picking up horizontal production, which is confined
11 entirely to that panel. As the longwall mining proceeds,
12 we will be generating gob production behind the panel
13 which, again, is contained entirely within that panel.
14 For that reason, we feel that the panels represent the
15 simplest and fairest allocation of cost and royalties.

16 Q. Certain of the units, specifically the south longwall 5,
17 the south longwall 12, and in the north and south
18 boundaries of each of the units 5 through 12, have been
19 extended to meet the 80 acre unit boundary lines for the
20 Oakwood order, is that correct?

21 A. That is correct.

22 Q. Is that shown on Exhibit 2 as we've previously submitted?

23 A. Yes, it is.

24 Q. With regard to those extensions to the Oakwood field
25 lines, could you please explain why we made those

1 extensions?

2 A. The north boundary of the units is determined by an 80
3 acre unit line. Our longwall will mine to within 1,000
4 foot of that line. If we shorten that, we would be
5 splitting 80 acre units and some people would be deprived
6 of royalty or a chance to participate. So to protect the
7 correlative rights in that direction, we extended the
8 boundary from the boundary for the longwall itself to the
9 80 acre unit to protect correlative rights in that
10 direction. The same thing applies if you look to the
11 east boundary. This unit contains 8 longwall panels.
12 We're proposing each of these longwall panels as a unit.
13 Again, the eastern longwall panel would be splitting 80
14 acre units. To protect correlative rights, and since our
15 mine plan as developed now corresponds with that eastern
16 most 80 acre line unit that we have adjoined with our
17 unit boundary here, we extended that unit to the east.
18 Again, to protect the correlative rights so nobody was
19 left with a gap in between for royalty interest or
20 participation. The south boundary matches an 80 acre
21 boundary. It also matches our mine works in this
22 location. The western boundary, the southwestern portion
23 matches an 80 acre unit line. It also matches the line
24 for our BUS2 unit, again eliminating any gaps and
25 protecting correlative rights. It is offset on the

1 northwest area because the area in that offset has
2 already been mined and therefore the gas has been removed
3 in that area for the mine.

4 MS. MCCLANAHAN: These are all the questions I have for Mr.
5 Morgan.

6 MR. CHAIRMAN: Any questions? Mr. McGlothlin.

7 MR. MCGLOTHLIN: Exhibit 17 on your proposed wells. How many
8 of those are currently VVHs.

9 MR. MORGAN: Nine of them.

10 MR. MCGLOTHLIN: Just the first nine? Nothing else has been
11 drilled?

12 MR. MORGAN: The six -- you've got three in the first two
13 panels and one in each of the next three panels.

14 MR. MCGLOTHLIN: Okay. Nothing in the northeast that has been
15 -- that hadn't been previously drilled or anything?

16 MR. MORGAN: No, it has not.

17 MR. MCGLOTHLIN: Also, on -- you might not be the one to
18 answer this one. Panel number 3, I noticed that it's not
19 a -- it's got a weird shape to it. Can you explain that?

20 MR. MORGAN: That's what I was referring to in my previous
21 testimony there, Mr. McGlothlin, as the area in the
22 northwest corner has already been mined.

23 MR. MCGLOTHLIN: How about on the southwest?

24 MR. MORGAN: The southwest was extended to the 80 acre unit
25 and to the existing boundary of our BUS2 unit.

1 MR. JONES: That's Exhibit 2, I believe.

2 MR. MORGAN: Again, this was to protect the rights of individ-
3 uals in there where otherwise there would have been a
4 gap.

5 MR. MCGLOTHLIN: I'm still confused. On the southwest, we've
6 got approximately 60 percent of the longwall itself is
7 off to the southwest side.

8 MR. MORGAN: No, that's not the -- oh, the unit, yes.

9 MR. MCGLOTHLIN: Yes, sir.

10 MR. MORGAN: Yes.

11 MR. MCGLOTHLIN: You don't have a panel in that area or was
12 that mined conventionally or --

13 MR. MORGAN: That is a boundary -- that boundary is a boundary
14 between our BUS2 longwall units, which was approved in an
15 earlier application. This first longwall has a gap
16 between it there of about 1,000 feet. But instead of
17 kicking that 1,000 feet out and nobody there getting a
18 chance to participate, we extended that unit over to
19 include that. It also corresponds with the 80 acre unit.

20 MR. MCGLOTHLIN: So that should be more of a rectangle in the
21 northwest, as well? You shouldn't have that dog leg
22 coming from the north to the south?

23 MR. MORGAN: In the northwest, that area has already been
24 mined and the gas is not there. Nobody has anything
25 there to be compensated for.

1 MR. MCGLOTHLIN: It's been mined on the P3, but the other
2 seams that haven't been mined -- there's a possibility of
3 gas there.

4 MR. MORGAN: The P3 is the only area that we're intending to
5 fracture with our hydraulic stimulation. As we testified
6 before, the gob gas is contained within the panel.

7 MR. MCGLOTHLIN: Does your application request permission to
8 draw gas from any other seams?

9 MR. MORGAN: Our application includes all seams below the
10 tiller.

11 MR. MCGLOTHLIN: Then there is possibly gas in that section
12 over there.

13 MR. MORGAN: But as our testimony has been, and has been
14 approved by the Board in the past, is that for gob only
15 production the boundary of the unit is properly the
16 boundary of the longwall development.

17 MR. MCGLOTHLIN: Are you going to seal that?

18 MR. MORGAN: Eventually, this will be a sealed gob unit.

19 MR. MCGLOTHLIN: Until that time -- when do you plan to seal
20 that gob unit?

21 MR. MORGAN: That will be at the end of mining of the last
22 panel. That will be 9 years.

23 MR. MCGLOTHLIN: Are you going to draw gas from this area
24 before you seal it?

25 MR. MORGAN: We will be drawing gas from the P3 prior to

1 mining. We will be bringing gas out of the gob area of
2 that longwall panel during the mining.

3 MR. MCGLOTHLIN: So there is a possibility of -- I'm worried
4 about correlative rights up here on Oakwood field bed
5 spacing 27W and 27X -- on that section.

6 MR. MORGAN: The only potential there -- the only thing there
7 that exists is some of the upper seams. Again, the only
8 thing to be produced out of the upper seams is the gob
9 production. Our testimony in the past, and has been
10 approved in about four different applications, is that
11 the proper boundary for gob production is the boundary of
12 the longwall panel development.

13 MS. MCCLANAHAN: And the reason that has been the proper
14 boundary is because you've testified previously that
15 there's no communication from one panel to another.

16 MR. MORGAN: That defines the drainage area for gob produc-
17 tion.

18 MR. MCGLOTHLIN: Well, that's on previous occasions with a
19 sealed gob. This is not a sealed gob unit as of this
20 point.

21 MS. MCCLANAHAN: No, Mr. McGlothlin. With regard to gob gas
22 production, we've testified that there's no communication
23 from one panel to another panel. Isn't that correct, Mr.
24 Morgan?

25 MR. MORGAN: That's true.

1 MS. MCCLANAHAN: In the sealed gob production, we've indicated
2 that there is no communication outside the sealed
3 boundary.
4 MR. MCGLOTHLIN: In the northwest corner of your longwall, you
5 have a proposed mine plan that goes over into part of
6 that 80 acre on 27W. Are you going to pool gas from that
7 area?
8 MR. MORGAN: That is the direction from which our mine works
9 are coming from the existing mine. Our existing mine is
10 part of that and that's where it will be coming into this
11 area.
12 MR. MCGLOTHLIN: So there will be communication between the
13 panels?
14 MR. MORGAN: Ventilated. That's ventilated mains, is what
15 that is.
16 MR. MCGLOTHLIN: But there's communication between the panels.
17 Ventilation or not, it's communication.
18 MR. MORGAN: Not for methane production. That'll be less than
19 1 percent methane in anything coming through there.
20 MR. MCGLOTHLIN: Let me ask you this. Would PGP be amenable
21 to extend that boundary to accept that area within its
22 plan?
23 MS. MCCLANAHAN: I'm sorry.
24 MR. MCGLOTHLIN: Would Pocahontas Gas Partnership be amenable
25 to accept that -- to bring its boundary over to meet the

1 80 acre?

2 MR. MORGAN: It would not affect us operationally. We could
3 do that operationally. We don't think the drainage
4 justifies that. If that's what the Board would like, we
5 would be willing --

6 MR. MASON: Excuse me. First of all, I would like to say
7 that, as you probably are well aware, in September I was
8 very unhappy with the way the longwall panels were
9 comported in relation to the 80 acre station. I would
10 very much like to tell you that I perceive what you all
11 have done here as an enormous stride in the right
12 direction and am very much in favor of the fact that this
13 longwall plan comports with the other 80 acre spacing and
14 doesn't leave this thing. What I don't understand, I
15 guess, is I can understand that this is a mined out area
16 and that if you sealed a gob, you seal this area out, is
17 that correct?

18 MR. MORGAN: That's true.

19 MR. MASON: You're saying that the only time there will be any
20 -- I guess to my mind there is an inconsistency in the
21 fact that you're asking for permission to drain gas from
22 all of these upper strata that haven't been mined at the
23 time you're seeing that the Poco 3 has been mined and
24 you're not going to include it in the unit. Potentially,
25 I guess, the only glitch would be is if there was

1 potential gas production from those upper strata that
2 somehow ended up not ever being produced by virtue of
3 this being left out. What I think Kevin is trying to
4 say, and I would agree with, is there anyway to deal with
5 that problem in a reasonable way so that everybody is on
6 equal footing and the gas owners in those upper coal
7 seams, if there was ever production out of them, would be
8 entitled to be a part of a unit and have an allocable
9 share of the income. That's the only --

10 MR. MORGAN: Again, Mr. Mason, our decision here was based
11 entirely on what we thought was drainage. We have no
12 problem, if the Board feels that this would better
13 protect the correlative rights of those people, from our
14 operation standpoint, we have no problem with extending
15 that to that boundary.

16 MR. MASON: Okay. I understand what you're saying. Really,
17 what it amounts to and you correct me if I'm wrong, is
18 there are two different potential drainage situations.
19 One involving the Peco Number 3 only and the one involv-
20 ing anything else. I guess what Kevin was suggesting,
21 either by extending the boundaries of the unit, or by
22 some other way, you could, in effect, say if in fact the
23 drainage occurred from those upper units, you know, that
24 would be considered or be included in the unit if it
25 relates to the Peco 3 only, which there is no gas and it

1 will be sealed off. Then, obviously that would not be
2 included and we would agree with you that it would be
3 unfair to charge the people who own other parts of this
4 with production from which there was none made from their
5 underlying minerals. I guess what we're saying is
6 perhaps something in that order would be --

7 MR. MORGAN: We could agree with that type of scenario.

8 Again, what is gone there is a chunk of the 3 seam. The
9 seam production here does make up a minority of the unit
10 production. Due to the lack of this gob area, the
11 majority of the production out of this will be gob
12 production -- which is the upper seam production. We
13 could live with that change. We could make that change
14 if the Board so desires.

15 MR. MASON: Okay.

16 MR. MCGLOTHLIN: One follow-up question on it. Does that
17 alter the ownership if you include that?

18 MS. MCCLANAHAN: It will alter the ownership percentages,
19 obviously, for any person in there.

20 MR. ARRINGTON: They are pretty well in the units. I'm just
21 looking on here. Most all of them have been noticed.

22 MR. MCGLOTHLIN: Does it change the names of the people when
23 it --

24 MR. MORGAN: It doesn't change any people, they just change
25 percentages.

1 MR. MCGLOTHLIN: I'm worried about notice now.
2 MS. MCCLANAHAN: There are no additional parties.
3 MR. ARRINGTON: No additional parties. I guess that's --
4 MR. MASON: So everyone that would be affected by this hasn't
5 had notice?
6 MS. MCCLANAHAN: That's correct.
7 MR. MASON: Thank you.
8 MR. MCGLOTHLIN: Thank you, Mr. Chairman.
9 MR. CHAIRMAN: Other questions, Members of the Board?
10 MR. EVANS: You got them. Mr. Chairman, I do have --
11 MR. CHAIRMAN: Mr. Evans.
12 MR. EVANS: Mr. Morgan, in that particular area that's just
13 been under discussion, are you now actively draining gob
14 -- is that an actively draining gob area?
15 MR. MORGAN: At this time?
16 MR. EVANS: Uh-huh.
17 MR. MORGAN: No, it is not.
18 MR. EVANS: When you say it's mined out, the Poco has been
19 mined out --
20 MR. MORGAN: The Poco 3, there's been mains developed in that
21 area.
22 MR. EVANS: Okay, so there is still solid coal there, but all
23 you've done is drill --
24 MR. MORGAN: It's being ventilated now.
25 MR. EVANS: -- driven your mains through and your mine veins

1 were taken care of?

2 MR. MORGAN: That's right.

3 MR. EVANS: Safety.

4 MR. MORGAN: That's right.

5 MR. EVANS: So you're not trying to produce any gas from it.

6 All you're trying to do is keep it from --

7 MR. MORGAN: We don't have the technology to clean up that 1

8 percent methane gas.

9 MR. EVANS: I guess what I was getting at is, you know, how

10 many headings are you driving on your mains?

11 MR. MORGAN: Usually eight.

12 MR. EVANS: Okay.

13 MR. MORGAN: There is a small barrier between there so that's

14 -- that line there corresponds almost directly with our

15 mains going north.

16 MR. EVANS: Okay. When you said it was mined out, I wondered,

17 okay, is it mined out?

18 MR. MORGAN: It's all development. It's not another gob area.

19 MR. MASON: Mr. Chairman.

20 MR. CHAIRMAN: Mr. Mason.

21 MR. MASON: I have one more question. I was trying to find a

22 map of those proposed well locations. When do you all

23 propose to drill these wells? I know some of -- nine of

24 them are already --

25 MR. MORGAN: The program is underway. This year -- all of

1 them will be drilled this year.

2 MR. MASON: All the wells -- all of these panels --

3 MR. MORGAN: All of those that are shown there. If you're

4 showing four wells per panel --

5 MR. MASON: Yes, sir.

6 MR. MORGAN: Those are all proposed for drilling this year.

7 There are more wells that will be drilled in those

8 panels, okay, for production of gob. There will addi-

9 tional wells drilled between those four.

10 MR. MASON: Okay, but these constitute all of the wells that

11 you anticipate drilling pre-mined?

12 MR. MORGAN: That's true. That's for the pre-mining draining

13 of the J seam.

14 MR. MASON: You anticipate later, as you get into the gob or

15 so forth -- okay.

16 MR. MORGAN: We may even drill some of the gob wells ahead of

17 mining to get them out there and get them drilled.

18 MR. MASON: As I understand it, some of these locations --

19 there are nine of them that are already approved? Is

20 that -- proposed --

21 MR. MORGAN: Nine of them are drilled.

22 MR. MASON: Okay. Nine of them are drilled.

23 MR. MORGAN: The tenth one, I think it's number 128 -- if that

24 number is on the exhibit you're looking at -- is per-

25 mitted but has not been drilled at this point.

1 MR. MASON: That's in --

2 MR. MORGAN: Number 10, I think it is.

3 MS. MCCLANAHAN: That's right. Are you looking at Exhibit 177

4 MR. MCGLOTHLIN: Yeah.

5 MR. MASON: Uh-huh. Mr. McGlothlin keeps me straight.

6 MR. FULMER: One clarifying thing -- it's been permitted by
7 the Division of Mines.

8 MR. MORGAN: They are permitted as VVHs.

9 MR. JONES: Not by Mr. Fulmer, in other words.

10 MS. MCCLANAHAN: The conversion permits.

11 MR. MASON: As a VVH.

12 MR. MORGAN: Applications have been submitted, I guess, is
13 proper for that one.

14 MS. MCCLANAHAN: We'd like to call Mr. Randy Albert, if we
15 may.

16
17
18 RANDALL MARK ALBERT

19 a witness, after having been duly sworn, was examined and
20 testified as follows:

21
22 DIRECT EXAMINATION

23
24 BY MS. MCCLANAHAN:

25 Q. Mr. Albert, would you please state your full name for the

1 record?

2 A. Randall Mark Albert.

3 Q. Your address?

4 A. 2801 Talusa Street, Bluefield, West Virginia.

5 Q. Your profession?

6 A. I'm a project manager for Pocahontas Gas Partnership
7 which is a partnership between Consolidation Coal Company
8 and Conoco.

9 Q. Your responsibilities and duties as project manager?

10 A. I'm responsible for the overall operation of the Pocahon-
11 tas Gas Partnership.

12 Q. Your educational background?

13 A. I have a B.A. in mining engineering from VPI.

14 Q. Do you have any licenses?

15 A. I'm a registered engineer in the Commonwealth of Virginia
16 and State of West Virginia.

17 Q. Could you please state a brief work history?

18 A. I've been with Consolidation Coal Company since June of
19 1979. Since that time I've held various engineering
20 positions. I've been a ventilation engineer, a mining
21 engineer, and most recently, a project manager of the
22 partnership for about one and a half years.

23 Q. Have you ever been qualified as an expert witness in
24 mining engineering before the Virginia Gas and Oil Board?

25 A. Yes, I have.

1 MS. MCCLANAHAN: I would submit Mr. Albert before this Board
2 as an expert in mining engineering.

3 Q. (Ms. McClanahan continues.) Mr. Albert, what well
4 spacing is presently being employed for the VWHs that are
5 drilled within the south longwall 5 through 12 units?

6 A. If we might look at Exhibit 12, I believe it is, if you
7 take the 32 wells, nine of which are drilled, the 23 that
8 are proposed would give us in that entire eight longwall
9 panels about a 60 acre spacing.

10 Q. Excuse me. It's Exhibit 17.

11 A. Exhibit 17. Excuse me. Historically, for degasification
12 purposes, we have tried to drill frack wells between 25
13 and 30 acre spacing. The wells that are shown -- the
14 nine wells that are drilled -- are drilled on about 41
15 acre spacing owing to the fact that we had a little more
16 time for drainage prior to mine through of these wells.
17 For gob well spacing, when we come back into the active
18 mining portion, for all wells we'd be looking at about a
19 12 acre spacing between gob well.

20 Q. What is your time frame for mining this area?

21 A. We have between -- from the first panel of south longwall
22 5 -- about a year and a half -- to the last panel of
23 south longwall 12 -- about nine years.

24 Q. What amount of methane that's released during mining
25 operations can be recovered during coal bed degasifica-

- 1 tion?
- 2 A. Estimates range from 30 percent to 50 percent, even 60
3 percent. There are many variables. It's the amount of
4 gas contained in the coal in the adjacent rock strata --
5 the coal bed methane -- and the geologic conditions
6 present. So it is just a highly variable number, but I
7 would say from 30 percent to 50 percent to 60 percent.
- 8 Q. What are the determining factors for proper spacing for
9 these vertical ventilation holes in coal bed methane
10 wells in the unit in connection with the mine operation?
- 11 A. In connection with the mine operation, actually the first
12 and foremost consideration is the safety of the mine.
13 That relates to the time that we have until mine through
14 -- the amount of drainage time we have. Then, secondary
15 to that would be your normal engineering -- reservoir
16 engineering parameters -- permeability, pressure,
17 porosity and the absorption characteristics of the coal.
- 18 Q. Does your unit proposal for south longwall 5 through 12
19 accomplish these optimum spacing goals?
- 20 A. Yes, we think it does.
- 21 Q. Do the areas sought to be spaced conform with Consol's
22 mine boundary?
- 23 A. Yes, they do.
- 24 Q. Why are you unable to keep these wells in production for
25 20 years?

1 A. Simply that this project is part of an ongoing mining
2 operation. As we've shown the Board in the past, we're
3 actively persevering a mine plan. All of these wells
4 will be mined through in less than 10 years.

5 Q. In your opinion, is this the most economic plan for
6 drainage of the unit?

7 A. Yes, it is.

8 Q. What is currently being done with the coal bed methane
9 gas that's being produced in the Buchanan Number 1 mine?

10 A. It is being vented.

11 Q. Would this unit proposal minimize the venting and wasting
12 of the gas?

13 A. Yes, it would.

14 Q. What will this application accomplish regarding royalty
15 distribution among the royalty owners within the 5
16 through 12 units?

17 A. We think that this will provide for a very fair and
18 equitable distribution of royalty to all affected owners.
19 It would also go a long way toward protecting correlative
20 rights of all owners.

21 MS. MCCLANAHAN: Those are all the questions I have for Mr.
22 Albert.

23 MR. EVANS: Mr. Chairman, I have --

24 MR. CHAIRMAN: Mr. Evans.

25 MR. EVANS: Mr. Albert, there are 31 pre-mining holes now.

1 How many more holes do you expect in the gob situation
2 for this --

3 MR. ALBERT: Historically, Mr. Evans, we have seen for this
4 length of panel, about seven wells per panel per gob
5 wells. We think, however, as we move into this area and
6 we're able to possibly do a better job of pre-draining
7 not only the 3 seam but, hopefully, some of the other
8 seams of the pool, that we may not need quite a close
9 density of space in the gob wells but that's purely
10 projection at this point.

11 MR. EVANS: So basically what you're telling me as I see it,
12 you've got four sites located and if I took a point
13 midway between each of those, is that how you would --

14 MR. ALBERT: Yes, sir.

15 MR. EVANS: -- probably drain them out?

16 MR. ALBERT: At least -- yes, sir.

17 MR. EVANS: The seven holes, is that based on your experience
18 with sealing gob and trying to keep the pressures such
19 that it does not affect the safety of the miners?

20 MR. ALBERT: It's based solely on that it doesn't affect the
21 safety of the miners. We will drill as many gob wells as
22 it takes to be able to safely mine the coal in each
23 longwall panel.

24 MR. EVANS: Have you sealed any gob units to date?

25 MR. ALBERT: Yes, we have.

1 MR. EVANS: What is your experience been with draining that
2 gob for the protection of the miners?

3 MR. ALBERT: What we've seen to date, we have two areas that
4 are sealed. The first two applications that we had
5 before the Board, the BUN1 and the BUS1, we have about
6 six months of data on the BUN1 sealed area and about one
7 month of data on the BUS1. We've seen no impact to the
8 safety of the mine. We have to ventilate by law each
9 seal, of course, with fresh air. We have cases where we
10 have some seals that are still -- that the pressure is
11 still wanting to go into the gob and, in other cases,
12 where the seals are wanting to come toward -- the
13 pressure is wanting to come toward the mine. So we can't
14 draw any conclusions. We have seen that we can -- we
15 don't really have a big impact on how we produce the
16 holes right now. We're producing one hole per panel. If
17 we would get in a situation where we were causing gas
18 problems for the mine, we would produce more holes per
19 panel. Again, the safety of the mine is our number one
20 priority. We're not going to let the economics of the
21 gas project dictate how we operate wells -- whether they
22 be sealed gob or active gob or frack wells.

23 MR. EVANS: Okay. So, you say in the sealed units that you
24 have to date, you're producing one well per panel?

25 MR. ALBERT: Yes, sir, one well per panel.

1 MR. EVANS: That's variable as to its effectiveness in keeping
2 the gradients toward the gob area as opposed to -- one
3 area you said, well, the outside wants to come in, which
4 is what you're looking for. Then, in another area,
5 you've got pressure against --

6 MR. ALBERT: That's right. That's contained within the same
7 sealed area. That's not a difference from one. In my
8 mind, it's not so much how the wells are produced, but
9 how the weather is acting. Barometric pressure, I think,
10 has more of an impact on what happens in a sealed area
11 than how we're producing the wells.

12 MR. EVANS: Do you have any production figures on how much
13 you're venting from those sealed units?

14 MR. ALBERT: Yes, sir, I do, but I'd like for those to remain
15 proprietary if I could.

16 MR. EVANS: Okay.

17 MR. MCGLOTHLIN: Excuse me, Mr. Evans, I believe that the
18 Board could request that information and we keep it
19 proprietary as well. If that's a concern.

20 MR. EVANS: I would like to have some, you know, if you've got
21 six months worth of data -- I guess what I'm asking you
22 is I'm trying to get educated here. You know, this is a
23 new situation and you do have some data -- preliminary as
24 it may be -- on characteristics of a sealed unit and
25 since I don't have anything, I would like to have the

1 benefit of your experience to date if that's --

2 MR. ALBERT: If we can submit that to the Board and it remain
3 confidential, we have no problem with that.

4 MR. CHAIRMAN: I don't think we can. I'm checking to see, but
5 I don't believe that anything except what's protected by
6 the statute could be protected. Anything we have is
7 public information.

8 MR. STEELE: I have a question about that, also. It hasn't
9 been determined who actually owns this damn thing. It
10 may belong to the surface owner. Does he not have a
11 right to this information also?

12 MR. CHAIRMAN: Anything that the Board would have that's not
13 protected by statute would be available to the public, I
14 believe.

15 MR. JONES: I'm afraid that's our -- we were just talking
16 here, Mr. Chairman. I think we agree with the Chairman.

17 MR. MASON: Let me address one question, if I may. Is it
18 anticipated that this information would remain propri-
19 etary or is that only an intermediary?

20 MR. ALBERT: No, sir. Naturally, as we began to produce these
21 sealed gob wells into a commercial market, then that
22 information has to be reported to Mr. Fulmer, and that
23 will be -- it will certainly not be proprietary then.

24 MR. MASON: Well, that's what I mean. I'm just trying to
25 determine -- before we get into a big thing about how to

1 deal with this, are we going to have this information in
2 a very short term or is it a long term or what --
3 MR. ALBERT: We're going to have it in a very short term, I
4 hope.
5 MR. EVANS: I understand your concerns and that's -- it was an
6 educational process for me since we're talking about
7 another unit here that's going to go the same way. All
8 I'm trying to do is make sure that any decision that we
9 make is based on all the evidence that's available to
10 make the best determination that we can. But I under-
11 stand your proprietary concern on --
12 MR. MORGAN: Mr. Evans, if I could just make a general
13 statement on it. When we did our sealed gob applica-
14 tions, we presented some projected -- now, I don't know
15 if we're that good or what. Okay?
16 MR. EVANS: That's why I'm asking the question.
17 MR. MORGAN: But we're not far off from those projections with
18 our six months of experience. Without giving any well
19 specific information.
20 MR. EVANS: We'll let it go at that until that data comes in
21 that we can look at. I do understand.
22 MR. MCGLOTHLIN: Excuse me, Mr. Chairman.
23 MR. CHAIRMAN: Mr. McGlothlin.
24 MR. MCGLOTHLIN: On the statute, page 9, 45.1-361.6, the
25 director shall hold confidential all logs, surveys, and

1 reports relaying to the drilling, completion and testing
2 of a well which are filed by gas and oil operators.

3 Would that statute not give us the information that Mr.
4 Evans is requesting and still hold it confidential?

5 MR. CHAIRMAN: I believe this is just for exploratory wells
6 like that Texaco is doing in eastern --

7 MR. FULMER: The statute, itself, that's the director, not the
8 Board. The director has that authority. I could not
9 give it to the Board.

10 MR. MCGLOTHLIN: Then I'm under the wrong assumption. I felt
11 that the Board was privy to all information that comes
12 into the office.

13 MR. FULMER: No, it's not.

14 MR. MCGLOTHLIN: It's too late to talk to the General Assemb-
15 ly, isn't it?

16 MR. JONES: Mr. Chairman, we'd be glad to consider that
17 question further and look at the statute if the Board
18 would, you know, and try to figure what we can do.
19 Obviously, we want to cooperate with the Board all we
20 can. We do have a -- this is a competitive business and
21 we do have some proprietary interest involved that we'd
22 like to balance. If the Board wish, Ms. McClanahan and I
23 could consider that and make a proposal to the Board or
24 however -- give our opinion, for what it's worth.

25 MR. EVANS: If possible, you know, to protect your interest,

1 what you would feel comfortable with, knowing what our
2 constraints are -- or lack of them -- anything that you
3 could do, I would appreciate.

4 MR. JONES: Very good.

5 MR. EVANS: As much information as you feel comfortable with
6 giving.

7 MR. JONES: We would be glad to consider that.

8 MR. CHAIRMAN: Other questions? Mr. Albert, would you --
9 concerning the safety of the workers again -- would you
10 tell us what communication system or operational plan
11 that you have to insure that the worker's safety is the
12 overriding factor. You're on the operational side of the
13 production of the wells, is that correct?

14 MR. ALBERT: Yes, sir.

15 MR. CHAIRMAN: What working relationship do you have with the
16 mine superintendent or whoever is in charge day to day to
17 insure that that safety overrides?

18 MR. ALBERT: Well, right now the mine superintendent and I try
19 to meet once every two weeks to insure that we're both up
20 on activities that may affect each other. I would
21 anticipate, as we get closer into actual operation, that
22 we would meet more often than that. Simply put, the
23 superintendent and I -- offices are about a mile apart,
24 so we have daily contact with each other. It's just not
25 a structured two week meeting, but we have daily contact.

1 He calls if he has a problem underground with gas and we
2 discuss that. We have no computerized system, as such,
3 that alerts the mine if a well is off. However, we do,
4 as a matter -- have since day one with the degasification
5 project, have manpower that checks each gob well every
6 two hours to insure that it is running and that it's
7 operating at its peak of characteristics. We will
8 continue to do that through the operation of the gas
9 project, as well. Again, as we go forward, I couldn't
10 rule out that we may some day have some type of computer-
11 ized monitoring system where we would actually be able to
12 see what each well is doing. One thing that we are doing
13 -- all of our plans for the Pocahontas Gas Project are
14 either on wells -- we're not doing anything, to date, and
15 we have no firm plans to do anything as of this date, on
16 anything other than panels that are already mined out.
17 We are not doing -- we are not trying to capture, as of
18 this 10 seconds at least, any gas off of an actively
19 mined panel. I could not rule out, as we go forward with
20 this project and as we get a better feel for it, that we
21 may explore some of those avenues. But, at least, in
22 terms of miner safety, we are staying away right now from
23 the active panels -- the panel that is being actively
24 mined.

25 MR. MASON: Mr. Chairman.

1 MR. CHAIRMAN: Mr. Mason.

2 MR. MASON: Do you all -- to go into one of these VPHs and
3 vent gas, does it require any kind of permitting as far
4 as other than from the Department of Mines and the
5 Division of Oil and Gas specifically to vent gas?

6 MR. ALBERT: No, sir.

7 MR. MASON: There's no environmental related permitting from
8 the state or the Federal people involved?

9 MR. ALBERT: Not at this time.

10 MR. MASON: Is that an ugly question?

11 MR. EVANS: Yes, it is, Mr. Mason.

12 MR. MASON: But in fact, doing what we're doing here is going
13 to change that and the gas will be going into a pipeline
14 instead of being wasted, is that correct?

15 MR. ALBERT: That is correct.

16 MR. MORGAN: What we're doing here, I think, is a win/win
17 situation in every aspect. It's a win that we're getting
18 the methane out of the coal mine. It's a win that we're
19 no longer venting as much of it into the atmosphere.
20 It's a win that we're conserving a resource.

21 MS. MCCLANAHAN: And people are getting paid.

22 MR. MASON: Well, the idea that you can't mine unless you get
23 rid of the gas. You're compelled by law, as I understand
24 it, to reduce to certain methane levels, is that correct
25 mine safety?

1 MR. ALBERT: That's correct.

2 MR. MASON: You've got to get the gas out of the mines and
3 you have to do something with it.

4 MR. ALBERT: That's correct.

5 MR. MASON: And that this program will, in fact, allow an
6 economic use of that gas, is that correct?

7 MR. ALBERT: That is correct.

8 MR. MASON: Thank you.

9 MR. CHAIRMAN: If I could revisit the follow-up question. I
10 thought I would just ask you about coordination and
11 communication between you and the superintendent if
12 that's the designated party. If he has a mine atmosphere
13 problem, does that override your operational side of
14 production of gas?

15 MR. ALBERT: Yes, sir. I will state for the record, if I
16 might, that the number one priority of this project is
17 the safety of the miners at the Buchanan Number 1 mine.
18 No person, no member of management, will override that
19 priority. That remains my number one priority and it
20 will remain the number one priority of the project. It
21 is committed, you know, the entire organization, Consol,
22 Conoco, are all committed to that concept. The project
23 was started with that concept being number one and it
24 remains to this date.

25 MR. CHAIRMAN: Any other questions. Members of the Board?

1 MR. MCCLANAHAN: We rest.

2 MR. CHAIRMAN: We have objections from four parties. Is Terry
3 Baldwin here? Don Johnson, Attorney? Bob Steele? Dally
4 Wade? Not here. The record will show that Terry Baldwin
5 nor Don Johnson is here. Ruth Steele? Present. Do you
6 wish to address the Board at this time?

7 MR. STEELE: Well, I have several questions here that I can't
8 find answers to. Everybody I've talked to gives me a
9 different answer. What effect does this application have
10 on our surface right? Does this unit allow for opera-
11 tions to be conducted anywhere within the unit? It's
12 normally been accepted by the Board that one well shall
13 drain 80 acres and that in 80 acres a mineral owner may
14 have the right to use a reasonable amount of surface as
15 may be necessary. If the Board grants this application,
16 does it mean PGP can use any and all surface within the
17 unit or units? If so, isn't the Board taking in kind
18 that consideration? Does this application, if granted,
19 mean that so long as production is coming from anywhere
20 within the units, my oil and gas rights are tied up
21 wherein I cannot do anything. I have a water well on my
22 property that is producing methane or gas. The gas has
23 never been sold from my property. They drilled one of
24 these holes and I lost my gas. What right do I have in
25 this instance?

1 MR. CHAIRMAN: Mr. Mason.

2 MR. MASON: I'm just trying to get a point of clarification.

3 Are you addressing these questions to us? To these
4 people, I mean --

5 MR. STEELE: These questions are for both. I'd like for the
6 Board to clear this up if I could. I have asked these
7 questions before and I can't get an accurate, honest
8 answer.

9 MR. MASON: I'm sympathetic with your desire to know, you
10 know, to be fully informed about what's going on and how
11 this affects you. I guess the problem is, and Mr.
12 Chairman, I certainly defer to you to this, but these
13 hearings are conducted in a way in which these people
14 present an application. We hear evidence in support of
15 that application. Then, we make a determination of that.
16 You have the right, within the context of that, as an
17 affected person, to also ask them questions and try to
18 present things that would affect our decision in that
19 regard. I guess what I'm trying to do, if we could, is
20 to find some way in which we could mechanically have you
21 get the answers to your questions within the context of
22 what we're doing.

23 MR. CHAIRMAN: I think that's what he's trying to do. He
24 wants to use the Board, as I understood him, as the forum
25 to get these questions answered here today. I think what

1 we would ask the petitioners here is to answer these as
2 best you see fit.

3 MR. JONES: I think one thing, Mr. Chairman, that maybe needs
4 to be kept in mind, is this is the application for the
5 unit designation and really, as far as we know, doesn't
6 grant any rights in regard to the use of the surface.
7 Now, we have on the docket, and may proceed if the Board
8 favorably considers our application, a force pooling
9 application. Although I don't believe Mr. Baldwin
10 actually is in the unit that we have on the docket --
11 excuse me, Mr. Steele. I apologize, Mr. Steele. That
12 his property is in those units that we have on the docket
13 today. We did file certain forced pooling applications
14 conditionally on these units. Again, to try to conserve
15 as much time as possible in the event that the Board
16 thought they could grant our present application, we
17 could proceed to those. But I really, honestly, I think
18 this application does not effect the surface at all. The
19 forced pooling of interests within the units would have
20 some legal effect on the surface, we think. But that's
21 really not at issue in this case. I don't want to escape
22 any -- I'd be glad to answer any questions that the Board
23 has, but I did want to bring that observation, at least,
24 to the Board's attention.

25 MR. CHAIRMAN: Mr. Steele, do you agree that your surface is

1 not anywhere in these units before the Board today? Is
2 that --
3 MR. STEELE: Mine is 7 and 8 up there.
4 MR. CHAIRMAN: 7 and 8?
5 MR. STEELE: Yeah.
6 MR. JONES: Excuse me, Mr. Chairman. It's the forced pooling
7 -- he is not within the forced pooling applications that
8 we have on the docket, because we have not asked --
9 MR. MCGLOTHLIN: Mr. Chairman.
10 MR. CHAIRMAN: Mr. McGlothlin.
11 MR. MCGLOTHLIN: I would like to point out to Mr. Steele that
12 this Board has no authority to determine who owns the
13 mineral or the gas. That needs to be addressed in the
14 Circuit Court.
15 MR. STEELE: I understand that. Do you have any idea when
16 that might be addressed?
17 MR. MCGLOTHLIN: That's something that you, yourself, would
18 have to initiate.
19 MR. STEELE: Okay. There was one question I had while ago. I
20 should have brought it up then, but I thought I could
21 wait until this got out in the open and then bring it up.
22 Referring to the panel units -- I own the gas underlying
23 this property. What's going to keep these panels from
24 communicating between one to the other when they start
25 sucking on them after they fracture it. What's going to

1 keep gas from one panel from going into another one?

2 MR. MORGAN: Our experience is showing that there is almost no
3 communication between panels in the active gob, which is
4 the subject of this unit application. Once an area is
5 sealed, till the gas can then flow through the entries
6 between the gobs, then there is communication. In this
7 application, we do not think there is communication
8 between the two gob areas from our experience in what
9 we've seen in the operation of the Buchanan mine.

10 MR. STEELE: But there could be. Is that what you're saying?

11 MR. MORGAN: No, sir. What I'm saying is that our experience
12 is showing that there has not been any.

13 MR. ALBERT: Mr. Chairman, if I might --

14 MR. CHAIRMAN: Mr. Albert.

15 MR. ALBERT: -- just to add to that. Mr. Steele, there are
16 pillars of solid coal between each longwall panel. So
17 there is that area that is supported by those pillars
18 that remains intact after the longwall mining takes
19 place. That is what prevents the communication from
20 panel to panel.

21 MR. STEELE: I understand about the pillars. I understand a
22 little bit about mines. As the surface moves during a
23 mining operation, it tends to break up the strata and
24 that could cause a crack between those two panels, could
25 it not?

1 MR. MORGAN: Our experience is showing, and again, you haven't
2 had the luxury of hearing most of our testimony in some
3 of the previous applications. But our experience is
4 showing with the gob where we have actively mined one
5 panel -- at first we thought, as you're thinking, that
6 there would be some impact in the adjacent areas. We
7 expected to see some decrease in methane content in the
8 adjacent panels. That was not the case from our mining.
9 The methane content was just as high. There was just as
10 much methane there as when we mined them. Another
11 example of this, and the reason we don't think there is
12 communication, is in the northwest corner of our Buchanan
13 Number 1 operation we border Island Creek's Beatrice
14 operation. That area was pillar mined and robbed. If
15 you understand some coal mining, it's essentially the
16 same result as pooling the longwall. You move, basical-
17 ly, all the coal. That area was pillar mined and robbed
18 some 20 years ago. When we mined adjacent to that, we
19 saw no relief from that area draining any of the methane
20 out of our unmined coal. That's the basis for our
21 understanding and our belief that there is not communica-
22 tion between the panels.

23 MR. CHAIRMAN: Also, you asked about the location of the
24 wells. The Board is not approving any locations of the
25 wells. That's done by the Inspector's office within

1 these units.

2 MR. STEELE: I have been in negotiations with the PGP. I
3 asked some questions about it. Matter of fact, they had
4 an appraisal done on the property. There was none done
5 on the gas. I was told that there was no way to do this
6 until they start actually pumping the gas out. I believe
7 the Board may have some information different from that
8 from another meeting, but I wasn't there, getting back
9 to the question about how much gas is going to be coming
10 out of here.

11 MR. WAMPLER: I don't know what -- I mean, what we heard was
12 what we heard today regarding this proposal.

13 MR. STEELE: I understand that there might have been at
14 another meeting -- there was some information about how
15 much gas was going to be claimed from this operation of
16 these longwall panels.

17 MR. MASON: Excuse me, Mr. Chairman.

18 MR. CHAIRMAN: All right, sir.

19 MR. MASON: Aren't the proceedings of this Board a matter of
20 public record?

21 MR. CHAIRMAN: Yes.

22 MR. MASON: Transcripts will be available for review?

23 MR. CHAIRMAN: Yes, they are.

24 MR. MASON: You know, I mean, as I understand it, the Division
25 office -- you could go there and review any previous

1 testimony. I'm sure they would be helpful to you in trying
2 to find what it is that has been presented to this Board
3 in the past.

4 MR. STEELE: I was hoping somebody on this panel could answer
5 that for me so I wouldn't have to go to all of that
6 trouble.

7 MS. MCCLANAHAN: Excuse me. Mr. Morgan gave average produc-
8 tion numbers per unit in this area and so we can repeat
9 those now. Go ahead, Mr. Morgan.

10 MR. MORGAN: We gave for the estimated frack production out of
11 the Pocahontas number 3 seam, average production of
12 85,000 cubic feet per day for three years with a 10
13 percent decline per year thereafter. I think for the
14 horizontal liberation, we estimated based on our past
15 experience. All of this was based on our past ex-
16 perience, not from any specific data in this area. We
17 estimated 15 million cubic feet total out of 1,000 feet
18 of longwall panel. That's per 1,000 foot length of
19 longwall panel. The gob production -- I don't think I've
20 presented anything on gob production in this hearing --
21 we have estimated, and it varies due to the life of it as
22 a gob producer in this unit application, some of these
23 will range from a 7 1/2 year life as a gob producer to a
24 1 1/2 -- or to a 1/2 year life as a gob producer. So the
25 amount being produced on that has a wide range. We have

1 estimated production per day out of these starting at
2 around -- bear with me just a moment -- we have estimated
3 average gob production -- by this, I'm talking about
4 production which we think we can put into a pipeline --
5 of about 563,000 cubic feet per day in year 1, decreasing
6 that at a 10 percent rate.

7 MR. CHAIRMAN: Is that per well?

8 MR. MORGAN: That's per panel.

9 MR. CHAIRMAN: Per panel,

10 MR. MORGAN: Per unit, excuse me, per unit in this instance.

11 MR. CHAIRMAN: Okay. That's for sealed gob?

12 MR. MORGAN: That is for year 1 gob production. We have
13 estimated that at about 560,000 cubic feet per day based
14 on our experience in other parts of the mine.

15 MR. STEELE: Decreasing by 10 percent annually, did you say?

16 MR. MORGAN: That's what we present.

17 MR. STEELE: Okay. Another question I had was I own the
18 natural gas on this property. What's going to keep it
19 from getting into these panels and being pulled out,
20 also, along with their methane? Who's going to distin-
21 guish my methane, if you will, from their methane, if, in
22 fact, they own it. It's not been proven who owns it.

23 MR. CHAIRMAN: That's no something that the Board is going to
24 decide. That's something that the courts are going to
25 decide, I imagine. There's some cases already there

1 before the courts. That's something you would have to
2 advance. We can't solve that one.

3 MR. STEELE: Okay, one other question. I have about three or
4 four routes of going here. I could become a partner, I
5 understand. If I do, when do I put up money for my share
6 of this expense? Do I put up money now for nine years
7 down the road operation or how does that affect me?

8 MR. CHAIRMAN: That would be something that would be subject
9 to a hearing on the pooling application. At that
10 hearing, and even after that hearing, you have an
11 opportunity to elect whether you participated and how you
12 did all of that. But that's a question more appropriate-
13 ly raised at the pooling hearings.

14 MR. MCGLOTHLIN: Excuse me, Mr. Chairman. Or through private
15 negotiations with the company.

16 MR. CHAIRMAN: Sure.

17 MR. STEELE: I have been in some private negotiations with
18 them and I was waiting for them to get back with me
19 before this came up but there was no response. I had
20 asked their land agent some questions about this and he
21 hasn't responded to me. He might have been too busy, I
22 don't know. But he did an appraisal on the property and
23 it was a fair appraisal for the surface. I'm interested
24 in what gas I own or what mineral or what oil I have.
25 I'd like to just sell it then and get out of it complete-

1 ly and not be aggravated with it at all. All I'm asking
2 is for what's mine.

3 MR. CHAIRMAN: Do you have any other questions?

4 MR. STEELE: Well, basically, what I'd like for the Board to
5 do is protect my interest as they were charged to do by
6 law and carefully discuss these matters with the General
7 Assembly or Attorney General. I ask the Board to direct
8 POP to discuss these matters with me and advise me of
9 its proposed operation and what effects this operation
10 would have on my property rights and to give me a fair
11 market value for such rights.

12 MR. CHAIRMAN: Are there any others that wish to address the
13 Board? Mr. Swartz.

14 MR. SWARTZ: I have a couple of comments. Perhaps Mr. Jones
15 misspoke when he used the term modify the existing
16 Oakwood rules. Maybe what he really meant to say was
17 make an exception. But the notice and the petition seek
18 to have an exception granted from the Oakwood rules that
19 are in place -- both sets of rules.

20 MR. JONES: Mr. Swartz is correct.

21 MR. SWARTZ: I have no problem with it if it's an exception
22 and I gather that's where we're headed, so I'll drop
23 that, as opposed to a modification on a field wide basis.
24 So he's just asking you to carve out an exception like
25 you have done before. It appears that -- in terms of

1 title, I have a few observations. It appears that in
2 some instances in the title documentation that's been
3 submitted to the Board, POP is aware of the fact that
4 Equitable has assigned some of its Paco interest to OXY.
5 In some instances, with regard to the Hurt McGuire, and
6 in some instances those show up. I'm not sure that all
7 of them do. But there are a number of tracts where OXY
8 has an interest and/or one or more lessors of OXY have an
9 interest and they are just omitted from the title
10 information that you all have. I would just like to put
11 that in the record so it can get squared away. Tract 78,
12 OXY has a coal bed methane lease which is not shown with
13 regard to Tract 78. C. L. Ritter is one of OXY's lessors
14 on that lease and C. L. Ritter is not mentioned anywhere
15 that I can find. With regard to Tract 79D, again OXY has
16 a lease. There is no mention of that. C. L. Ritter is
17 one of the lessors -- they're omitted. Same situation
18 with regard to 79F. Same situation with regard to Tract
19 94. Similar problem with 95C, 95D, same situation --
20 OXY has a coal bed methane lease from both C. L. Ritter
21 and Yukon Pochontas. They're showing Yukon Pochontas,
22 who has an undivided interest, but they're not showing C.
23 L. Ritter. I might also point out that the map has two
24 95D tracts shown on it. Unit 106 omits OXY, USA's CBM
25 lease against C. L. Ritter, 106C -- same problem. 115

1 omits OXY and C. L. Ritter. In Tract 117, OXY has a coal
2 bed methane lease from Yukon Pocahontas which is a coal
3 interest. They also have an oil and gas and CBM lease
4 from D. Short, who's listed in that tract, but OXY is not
5 shown as a coal bed methane lessee in 117. Same situa-
6 tion I just described for 118. The only reason I'm
7 bringing this to the Board's attention, I would like this
8 in the record so that when the interests get computed in
9 an order, the appropriate interests are reflected. To
10 give you an example of the impact, Marty's estimate with
11 regard to Unit 12 here, if you factor in the OXY inter-
12 est, they have an approximate 12 percent position in
13 Unit 12. The testimony today was that PGP has a 96
14 percent position, so there is -- there need to be some
15 adjustments here with regard to those leases. I'm sure
16 that we can work with the PGP people to verify this, but
17 I want it in the record that this problem exists and that
18 it's OXY's position that they have interests in those
19 tracts that are not disclosed. That's it.

20 MR. MASON: Excuse me, Mr. Chairman.

21 MR. CHAIRMAN: Mr. Mason.

22 MR. MASON: Mr. Swartz, do I understand -- first of all, does
23 OXY deny notice of these hearings as regard to their
24 interest?

25 MR. SWARTZ: No, No. We're here. I don't know about C. L.

1 Ritter, okay. I'm not speaking for them. I'm not
2 representing them.

3 MR. MASON: I understand that, but I'm just trying to deter-
4 mine whether or not, you know, there's any -- by virtue
5 of you saying that there are ownership interests un-
6 represented in these proceedings, are you raising an
7 issue of sufficiency of notice as regard to those issues?

8 MR. SWARTZ: No. No, I am saying that if you want on the
9 record you have before you OXY's interest -- percentage
10 interest in these various units would be miscalculated.
11 I am just bringing that to your attention.

12 MR. MASON: In the event that there are these interests in
13 question as regard to OXY and there was not appropriate
14 notice, would OXY, by you, waive that notice now?

15 MR. SWARTZ: I'm not objecting to that. I'm never going to
16 raise that. You're not going to hear that from me. I
17 just want to make sure that OXY's interest in terms of a
18 fractional interest in these units, and that of their
19 lessors, is taken into consideration accurately.

20 MR. MASON: I understand that. I just have this problem of
21 their being an allegation of interest of ownership that
22 were not included in this which would potentially raise
23 some notice issues and would be left unresolved as far as
24 the Board action.

25 MR. SWARTZ: I can only speak for OXY, but there is no

1 sandbagging going on here. I'm not raising a notice
2 issue now and I have no intention of raising a notice
3 issue on behalf of OXY with regard to this unit in the
4 future.

5 MR. MASON: I notice that you've carefully avoided saying that
6 you waive that issue.

7 MR. MCGLOTHLIN: Mr. Chairman.

8 MR. CHAIRMAN: Mr. McGlothlin.

9 MR. MCGLOTHLIN: Mr. Jones or Ms. McClanahan, does PGP
10 recognize that there is a possibility of discrepancy?

11 MR. JONES: That's always possible and I guess, again, this
12 probably would be more appropriate in a forced pooling
13 hearing -- assuming that the Board grants this applica-
14 tion. Obviously, we want to look into this and we want
15 to do everything that we can to make it right. I don't
16 have the answer to your question right now.

17 MR. SWARTZ: The problem is when you all make a finding today
18 that may or not label ownership -- I don't want to defer.
19 I just want to be on record with regard to these issues.
20 We'll sit down with Randy and Les and work through these
21 documents. Presumably, by the time we get here for a
22 forced pooling, we'll all have the same numbers.
23 Presumably.

24 MR. CHAIRMAN: Any others that wish to address the Board? Mr.
25 Steele, we appreciate your presentation and we certainly

1 encourage PGP to work with the citizens, as you have in
2 the past, to insure that they understand what is taking
3 place and as we go forward to the pooling hearings that
4 everyone understands what's going on here and how they're
5 going to be impacted and all that. The better we can do
6 that job, the better everyone will be throughout this
7 process as I'm sure you're aware.

8 MR. MASON: Mr. Chairman.

9 MR. CHAIRMAN: Mr. Mason.

10 MR. MASON: I'm interested in and -- I'm not sure that I
11 understand the legal effect or the difference between an
12 exception to the Oakwood rules and a modification to the
13 Oakwood rules and what effect that has. I guess I'm
14 wondering whether or not the Board should consider that
15 here or whether we should consider it in conversations
16 with our counsel. Because I think that's an issue that's
17 important in deciding what we do here.

18 MR. JONES: Mr. Chairman, if I might just respond briefly. My
19 statement, if I said a modification, was a misstatement
20 because I would view a modification as a general change
21 to the rule that would apply in different cases.
22 Whereby, what we're properly requesting here, and I think
23 we agree with Mr. Swartz in that regard, is an exception
24 applicable again only to these units that we have
25 proposed today.

1 MR. MASON: Well, let me ask you this, if I may, Mr. Chairman.
2 By what authority do you think the Board has a right to
3 grant an exception as opposed to a modification?
4 MR. JONES: I think the authority is probably the same. I
5 mean, I don't --
6 MR. MASON: I mean, I don't -- I don't know the difference.
7 That's my whole point.
8 MR. JONES: Well, I would tend to agree with you and that's
9 perhaps why I misspoke. Again, I think from Mr. Swartz's
10 point of view, which I can appreciate, and he can speak
11 for himself -- but he sees a modification as, again, a
12 general change applicable across the board to a lot of
13 different situations. Whereby, an exception is applic-
14 able just to the specific units. For example, if you
15 change the field rules in one particular case but it
16 applied from now on to every situation, that might be
17 seen as a modification. Whereby this, since it just
18 changes just a particular geographical location, is an
19 exception. I assume that's what Mr. Swartz meant.
20 MR. SWARTZ: That's the distinction I'm drawing.
21 MR. CHAIRMAN: I think that's the way, you know, that we
22 viewed it in the past.
23 MR. MASON: Okay, well, I'm just trying to, you know, get some
24 understanding.
25 MR. CHAIRMAN: This exception is based on the mine plan and

1 the need to conform with that mine plan and treat it as
2 an exception rather than a modification to the Oakwood
3 field rules.

4 MR. MASON: Which would be, basically, on a case by case,
5 depending upon the individual facts and consideration.
6 One other point, Mr. Chairman, the Chair has indicated,
7 basically as I'm understanding that, granting well
8 locations -- the Chair has more or less ruled that that
9 is not within the purview of our authority. That, as I
10 understand it, is Number C of your request. Secondly,
11 you all have asked establishing rules regarding the
12 number of VWHs that may be converted to methane gas wells
13 and the number of methane wells that may be drilled
14 within the units. Other than that exhibit that you all
15 had that showed these different wells -- maybe I missed
16 this -- has there been any other evidence put on as to
17 the number of wells to be converted and the number of
18 wells that you wish to drill. I mean, I guess I haven't
19 perceived in the course of this what it is you want us to
20 do in that regard. Or am I missing something?

21 MS. MCCLANAHAN: Our request is the same with regard to this
22 application as the ones that we've previously submitted.
23 That is, that we can drill a minimum of four wells in
24 each particular panel unit and that you would grant us
25 the ability to drill any additional wells that were

1 required for mine safety or to economically and effici-
2 ently drain the unit.

3 MR. CHAIRMAN: I was referring, specifically, to draining a
4 well location.

5 MR. MASON: Well, they actually asked for approving of the
6 location of the wells set forth on that plat, don't they?

7 MS. MCCLANAHAN: And the reason for that is that any of them
8 are closer than the setback requirements in the Oakwood
9 field rules, then they would require the Board to approve
10 those as location exceptions to the field rules.

11 MR. MASON: Well, we don't know whether they are or not at
12 this point?

13 MS. MCCLANAHAN: No. So we don't need location exceptions for
14 the thirty-two that are there.

15 MR. CHAIRMAN: That's something that the Inspector's office
16 would have to approve is the location of those.

17 MR. MASON: So, then, C of your request is effectively
18 withdrawn? Is that what I'm hearing?

19 MS. MCCLANAHAN: Let me look at it.

20 MR. MASON: If, in fact, in doing this we are granting spacing
21 exceptions or setback exceptions, I would like to deal
22 with those issues specifically. Not deal with it in any
23 general --

24 MS. MCCLANAHAN: Based on my engineer's advice to me, I am
25 going to tell you that we withdraw C.

1 MR. MASON: Thank you. Does everybody else on the Board
2 understand what they want in B?
3 MR. MCCLANAHAN: We need to be able to drill as many wells as
4 possible as long as they're 300 feet off the boundary
5 line. That's been the rule that we've asked for.
6 MR. MASON: Well, let me ask you this. Conversion of VWHs to
7 CBMs, isn't that a Director's decision?
8 MR. JONES: I'm sorry. Isn't that what?
9 MR. MASON: Isn't that a Director's decision? We don't
10 approve conversion of VWHs to CBMs, do we? Isn't that a
11 permitting function?
12 MR. MCGLOTHLIN: The only reason we would see it if there was
13 an appeal --
14 MR. MASON: Okay.
15 MR. CHAIRMAN: It would only be what would have impact -- the
16 only thing we should be dealing with is if it's impacting
17 spacing within these units.
18 MR. MASON: Right. Yeah, I just have some sensitivity to
19 approving something en bloc that I don't understand what
20 I'm doing.
21 MR. CHAIRMAN: I think that's good sensitivity, Mr. Mason. I
22 mean, I encourage it.
23 MR. MCGLOTHLIN: I'd say that if PGP or any interested party
24 would like to bring forth some rules and have us look at
25 them on this, I don't see that we have a problem with

1 that.

2 MR. MASON: Well, there's two parts to that. That is, you
3 know, conversion of VVHs to CBMs, as I understand it.
4 Does the Board generally have the authority to do that.
5 I guess that would either be directed to Mr. Chairman or
6 Mr. Chairman and his advisor.

7 MR. FULMER: Specifically, conversion from a VVH to a coal bed
8 methane is in the regulation.

9 MR. MASON: Okay, so that doesn't require approval.

10 MR. FULMER: That doesn't require approval from the Board.
11 It's already in the regulations.

12 MR. MASON: Okay. What about the number of wells that may be
13 drilled within the units?

14 MR. FULMER: That is a purview of the Board.

15 MS. MCCLANAHAN: Right. Because --

16 MR. MASON: And you were asking us to allow you to drill as
17 many as you want?

18 MS. MCCLANAHAN: No, we're asking that we --

19 MR. MORGAN: The main purpose being for the mine safety
20 aspect, as Randy testified, you know, we think seven will
21 do this. But if we get in trouble and we drill a hole in
22 addition to that as a VVH, you know, it makes no sense to
23 let that hole sit there and throw the gas away just
24 because we can't call it a CBM. We just simply want that
25 provision. We're not saying that that is an additional

1 cost of that will be included as an additional cost.
2 That would have to come back to you if we tried to
3 include it as an additional cost. We just want the right
4 to have multiple wells.

5 MR. MASON: Yeah. Why wouldn't the number of wells to be
6 drilled per panel be more properly a matter to be taken
7 up in the context of a forced pooling application than it
8 would be in determining units.

9 MS. MCCLANAHAN: Well, this -- I can explain this. The
10 problem is that as Mr. Fulmer sits today, and Mr. Fulmer
11 can correct me if I'm wrong, he can't approve -- he can
12 only approve one well per 80 acre unit at the present
13 time. So we submit permits to him and if there's more
14 than one well in an 80 acre unit, even though it's in our
15 panel unit, he can't approve it unless he has approval
16 from the Board. Is that correct?

17 MR. FULMER: (Nods head yes.)

18 MS. MCCLANAHAN: So we need the Board to approve that we can
19 drill four wells in a panel unit in order that Mr. Fulmer
20 can then grant our permit.

21 MR. CHAIRMAN: That's part of this exception that they've
22 asked for is base the drilling on the panels on a unit.

23 MR. MASON: I understand that. What evidence have we been
24 presented that demonstrates to us that four wells is the
25 proper number of wells to drill one of these panels?

1 MS. MCCLANAHAN: Okay. That's the evidence that Mr. Morgan
2 and Mr. Albert presented in telling you what the produc-
3 tion numbers were for a particular panel and the amount
4 of time that it would take to drain that particular
5 panel. Therefore, the conclusion being that you need
6 four wells to drain that panel in the amount of time that
7 we have.

8 MR. MASON: I think I missed part of that or something.

9 MR. MORGAN: It's not a, per se, a theoretical evaluation.
10 Ours is one based on experience. We have been in this
11 mine mining now and we have been actively draining coal
12 bed methane with all of these measures for almost eight
13 years. We've got eight years of actual data with
14 different facings of wells showing what it takes to get
15 that methane down to the level where it is minable and
16 does not impact the mining operation. It becomes a time
17 frame constraint.

18 MR. MASON: Are you telling me, in your expert opinion, that
19 four wells per panel based on what you know at this time,
20 is the proper number of wells to drain one of these
21 panels?

22 MR. MORGAN: To drain the 3 seam, which is being fractured, we
23 are saying that it will in all likelihood require
24 additional wells for drainage of the gob area. Our
25 experience is showing that a panel of this length will

1 require at least seven gob wells. Otherwise, it spills
2 back out into the mine works. It has to come out.

3 MR. HASON: Okay. I understand. All I want to know is
4 exactly what you're asking us to do and that is to
5 approve four wells, basically pre-mined, and seven wells
6 in the gob. Is that what you're asking for?

7 MR. MORGAN: We're asking for some latitude to where if we get
8 into problems in the mine -- because when get into
9 problems in the mine, it's now. Okay. I mean, we can't
10 come back before the Board, 30 days notice time and all
11 of that sort of thing, to get an additional well. The
12 alternative is that we drill it as a VVH and we throw the
13 gas away until we can get back before the Board. We are
14 not proposing that every hole that we drill in the area
15 will be charged to the project or anything of that sort.
16 All we're asking is the latitude to drill it. If we wish
17 to charge the cost to --

18 MR. HASON: Well, I understand that. I have some problem with
19 granting an open-ended authority based on your judgment,
20 basically delegating to you our authority to prove how
21 many wells are in this panel.

22 MS. MCCLANAHAN: We're not asking for a delegation to us.
23 What we've requested in the application is a delegation
24 to the gas and oil inspector to grant any additional
25 locations besides the four.

1 MR. MASON: Okay, well, I hadn't heard that before. Now,
2 could you state for me in one, single coherent statement
3 exactly what it is you want us to do as regard B.
4 MS. MCCLANAHAN: We would request that the Board allow us to
5 drill a minimum of four wells in each particular panel
6 unit of south longwall 5 through 12, which would be a
7 total of 32 wells for those particular panels, including
8 in the order a statement that the gas and oil inspector
9 could grant variances for additional wells to be con-
10 verted from VVHs to coal bed methane wells or drilled,
11 initially, as coal bed methane wells for purposes of mine
12 safety or in order that the well spacing and modification
13 and exception to the Oakwood orders would conform and
14 correspond to mine development plans and operations.
15 MR. MASON: Thank you. I have no further questions.
16 MR. JONES: Mr. Chairman, one other thing, we did prepare --
17 Mr. Chairman, you indicated that there had been an
18 objection filed on behalf of Terry Baldwin. Apparently,
19 Mr. Baldwin nor his counsel are here today. But we did
20 prepare a formal response to that. We'd just like to
21 file that for the record.
22 MR. CHAIRMAN: We'll receive that. Thank you.
23 MR. MCGLOTHLIN: Mr. Chairman.
24 MR. CHAIRMAN: Mr. McGlothlin.
25 MR. MCGLOTHLIN: When asking for the instructions to allow

1 the inspector to make the decisions without coming to the
2 Board, I think would undermine the thought of the General
3 Assembly on the Gas and Oil Board. If the General
4 Assembly had wanted the inspector to have that decision,
5 they would have given it to him when they started this.

6 MR. MORGAN: Mr. McGlothlin, could I ask a question. You're
7 supposed to be asking me questions I know, but maybe to
8 help me understand what your problem is with this --
9 unless we propose to include that additional well as a
10 cost to any participators or carried interest owners, if
11 we're in compliance with all of the permitting regula-
12 tions, what does that one additional well -- who -- it
13 shouldn't make any difference to anybody other than to
14 our costs.

15 MR. JONES: In other words, it should not make any difference
16 to correlative rights. Again, as Mr. Morgan said, aside
17 from the question of cost, which the Board would have to
18 determine, it's purely a question of mine safety.

19 MR. MCGLOTHLIN: You have an alternative with mine safety,
20 though. It's already in place to drill wells.

21 MR. MORGAN: But it would result in wasted gas because unless
22 it is a permitted well, we can't put it in a pipeline.

23 MR. MCGLOTHLIN: Mr. Morgan, how many MCSs is already dis-
24 sipated in the air over the years? Are we talking
25 about --

1 MR. MORGAN: There's a bunch.
2 MR. MCGLOTHLIN: We're talking about a drop in a bucket for a
3 thirty day period, aren't we?
4 MR. MORGAN: It would be longer than --
5 MR. MCGLOTHLIN: The avenue is there for mine safety. I just
6 have a problem. I think the legislature put this Board
7 together so the public would have more of an input to
8 wells.
9 MS. MCCLANAHAN: The only other thing I would mention is that
10 the Board, in the Oakwood field order, has actually
11 approved allowing the Oil and Gas Inspector to grant
12 location exceptions on a case by case basis for proposed
13 coal bed methane gas wells. In addition, they've given
14 the Oil and Gas Inspector the ability to issue emergency
15 orders for the additional drilling of wells in any of the
16 units in the Oakwood field. So what we're requesting is
17 not very different from what's already been approved.
18 MR. CHAIRMAN: Any other questions, comments? What's your
19 pleasure? Are you satisfied that it's in an existing
20 order to give authority to drill additional wells? Did
21 you a further problem with that, Kevin, I wasn't trying
22 to --
23 MR. MCGLOTHLIN: No, I don't have a problem with drilling more
24 wells. I mean it's --
25 MR. CHAIRMAN: In accordance with an existing order then?

1 MR. MASON: Yeah. That's what you mean. Consistent with
2 prior, similar delegation -- prior delegation.
3 MR. MCGLOTHLIN: Right.
4 MR. CHAIRMAN: What's your pleasure?
5 MR. MCGLOTHLIN: Mr. Chairman, I'll move that we accept their
6 application as amended through the process throughout
7 this hearing with the dog leg and these rules.
8 MR. MASON: Four wells and delegation of authority in conform-
9 ing with earlier delegation?
10 MR. MCGLOTHLIN: Yes.
11 MR. MASON: Second.
12 MR. CHAIRMAN: A motion and a second. All in favor signify by
13 saying yes. Oppose say no. Motion carries. Thank you.
14 We'll take a ten minute recess. Do you want to go ahead
15 and break for lunch?
16
17
18
19
20
21
22
23
24
25

1
2 ITEM 2
3

4 (AFTER A LUNCHEON RECESS, HEARING CONTINUED AS FOLLOWS:)

5 MR. CHAIRMAN: Okay, folks, we're going to get started. We'd
6 ask the parties that wishes to address the Board on
7 Agenda Item Number 2, please come forward. This is
8 Docket Number VGOB-92/02/18-0182. It's Item 3, we had
9 two ones.

10 MR. EDWARDS: Mr. Chairman, Mr. Counts, the EREX lawyer -- we
11 have reached an agreement and he will read a statement at
12 this time.

13 MR. COUNTS: Mr. Edwards, Mr. Chairman, Members of the Board,
14 Mr. Holly Ray Edwards and his family have been concerned
15 with the fact that their acreage has not been developed
16 as of yet. I want to make sure that they are able to
17 have that acreage developed to the extent that the market
18 dictates that, et cetera. Equitable has undertaken a
19 study of its geologic program in that particular area and
20 as a result we have proposed in our 1992 drilling program
21 a well which will encompass the approximate six acre
22 tract owned by Mr. Holly Ray Edwards, the petitioner at
23 Item 2 of the docket. As a result, we have agreed with
24 Mr. Edwards that both of these wells -- there's also a
25 well to the southwest of the proposed well which would

1 include Mr. Edwards' acreage -- would be granted equal
2 priority and put on Equitable's 1992 drilling program.
3 That the well to the southeast will not drilled prior to
4 at least a permit being obtained upon our proposed well
5 V2460, which will include Mr. Holly Ray Edwards' acreage.
6 We've also indicated, Mr. Edwards, even with respect to
7 our trying to work with them, that we can have no
8 guarantee that either well will end up being drilled in
9 the 1992 due to market conditions or otherwise. So this
10 is effectively our attempt to work with the petitioner in
11 making sure that their acreage is orderly developed.

12 MR. CHAIRMAN: And that's acceptable to you?

13 MR. EDWARDS: Yes, sir, we have agreed to that.

14 MR. WAMPLER: Any questions, Members of the Board? Any
15 questions, Members of the Board? No action is necessary
16 on the part of the Board, then. Thank you.

17 MR. FULMER: Is this one being withdrawn?

18 MR. EVANS: That's what I was going to ask. Do you wish to
19 withdraw this?

20 MR. EDWARDS: Yes, sir.

21 MR. EVANS: Okay, thank you.

ITEM 3

1
2
3
4 MR. CHAIRMAN: The next item on the agenda is Docket Number
5 VGOB-92/92/18-0183. This is a petition for the estab-
6 lishment of a compulsory pooled longwall panel drilling
7 unit.

8 MR. JONES: Mr. Chairman, Members of the Board, the next three
9 items on the agenda are forced pooling applications for
10 units which the Board approved this morning. In regard
11 to this particular unit, however, this is the south
12 longwall 5 unit. The Board will recall that that's the
13 one in which the Board approved it with the addition of a
14 dog leg. For that reason, so that we can make the proper
15 allocations for the forced pooling application, we would
16 ask that that matter be continued to the next meeting of
17 the Board. Then, we would proceed with the other two.

18 MR. CHAIRMAN: If there's no problem, we'll continue that to
19 the next meeting.

20 MR. JONES: Thank you, Mr. Chairman.
21
22
23
24
25

ITEM 4

1
2
3
4 MR. JONES: We would, then, be prepared to take up the other
5 two units which are the south longwall 6 and the south
6 longwall 7. I might say, Mr. Chairman, Members of the
7 Board, that this morning you heard not an objection, but
8 a statement by Mr. Swartz for OXY about some title
9 questions in these units. We have discussed that matter
10 further with representatives of OXY and it appears that
11 it's a question of a construction of a deed and that OXY
12 only learned about this last Thursday and, apparently,
13 may assert a claim that we did not know about before
14 because of our construction of the deed -- that is
15 Pocahontas' construction of the deed. I'm a little
16 vague about this because Mr. McClanahan and I do not
17 report on titles to our clients, so that we're not
18 familiar with this. But in any event, I did want to
19 bring that to the attention -- the details of that.
20 We're going to be working on that. However, none of
21 those items involve these two units. So they're nothing
22 that -- those questions which Mr. Swartz raised are not
23 involved in the forced pooling of the next two units.
24 Again, we don't have all of the units that the Board
25 approved this morning on the docket for forced pooling

1 applications, only these three. Now, with the con-
2 tinuance of five, just two. We also have on the docket a
3 forced pooling application for another unit -- longwall
4 unit -- but it was one that the Board approved earlier
5 last year.

6 MR. CHAIRMAN: I'm looking through the previous objections
7 that we had also. Those objections -- we're going to
8 take these one at a time. I'm going to go with Docket
9 VGOB-92/02/18-0184. That's south longwall unit number 6.
10 I was trying to look back through the other objections to
11 see if there was an objection on 6.

12 MR. JONES: We do not believe so, Mr. Chairman, but -- that's
13 our understanding that those objections did not apply to
14 this unit.

15 MR. CHAIRMAN: I guess, reading through, and I didn't take
16 time to read your response to Mr. Johnson representing
17 Terry Baldwin. Did he encompass all the units?

18 MR. SCOTT: Yes, I thought he did.

19 MR. CHAIRMAN: It appears that he did.

20 MS. MCCLANAHAN: His was with regard to the unit application.
21 The force pooling applications for the 6 and 7 -- Terry
22 Baldwin -- he has no interest in either of those units.
23 But Mr. Johnson's objection was to the docket number that
24 corresponds to the unit application 5 through 12. I
25 believe.

1 MR. CHAIRMAN: Is there anyone else that's present today that
2 wishes to address the Board regarding the petition,
3 Docket Number 92/02/18-0184. The record will show there
4 are none present.

5 MS. MCCLANAHAN: Okay. With regard to the south longwall 6,
6 and this also applies to south longwall 7, Nancy Sisk has
7 an interest in this particular unit which you'll hear
8 testimony about later. But I thought it would be easier
9 for us to just handle this legal problem first. That is,
10 she is an incompetent. Walter Jackson "Bud" Sisk is her
11 brother and he is responsible for taking care of her.
12 She lives with him. But what we did was, in accordance
13 with Virginia Code Section 45.1-361.19 -- no, 22 -- 21E,
14 excuse me, we appointed a guardian ad litem to make an
15 election for her in the forced pooling. We'll submit a
16 copy of the order appointing the guardian ad litem.
17 Also, we asked the guardian to sign a waiver of notice
18 for this hearing, so that there wouldn't be any notice
19 questions with regard to her. That was all done this
20 morning in the Circuit Court in Buchanan County. I would
21 introduce these as PGP's Exhibits -- let's call these A,
22 B and C so that we don't get confused with our exhibit
23 books.

24 MR. FULMER: Do you want to call them just 97 You've got 8
25 here.

1 MS. MCCLANAHAN: Okay. 9, 10 and 11 -- or 9.

2 MR. FULMER: It would be easier for me to keep up with.

3 MS. MCCLANAHAN: 9, okay, that's fine. Exhibit 9. I don't
4 have ten copies of that, but I'll get that to the Board,
5 because it was just FAXed to me a minute or two ago.

6 (POP's Exhibit 9 received.)

7 MS. MCCLANAHAN: The first witness I'd like to call is Les
8 Arrington.

9
10
11 LESLEY K. ARRINGTON

12 a witness who, after having been previously sworn, was
13 examined and testified as follows:

14
15
16 DIRECT EXAMINATION

17
18 BY MS. MCCLANAHAN:

19 Q. Mr. Arrington, would you please state your full name for
20 the record?

21 A. Lesley K. Arrington.

22 Q. Your address?

23 A. 26 Mountaintop Drive, Princeton, West Virginia.

24 Q. By whom are you employed?

25 A. Consolidation Coal Company as permit specialist for

1 Pocahontas Gas Partnership.

2 Q. Have you given notice, as required by Virginia Code
3 Annotated Section 45.1-361.19, to each person or entity
4 identified on Exhibit C of the forced pooling applica-
5 tion?

6 A. Yes, we have. That's Exhibit Number 1.

7 MS. MCCLANAHAN: I would introduce the notice of hearing as
8 Exhibit 1 for PGP.

9 (PGP's Exhibit 1 received.)

10 Q. (Ms. McClanahan continues.) How was this notice mailed?

11 A. By certified mail, return receipt requested. A copy of
12 those receipts are Exhibit Number 2.

13 Q. Have you submitted those to the Gas and Oil Inspector?

14 A. Yes, I have.

15 MS. MCCLANAHAN: I would introduce copies of those receipts as
16 Exhibit 2.

17 (PGP's Exhibit 2 received.)

18 Q. (Ms. McClanahan continues.) Were there any persons whose
19 names and/or addresses were unknown?

20 A. No. However, we still published it in the Virginia
21 Mountaineer, The Bristol Herald, and the Bluefield Daily
22 Telegraph on 1/30, 1/28, and 1/25, respectively.

23 Q. Do you have the proofs of publication for those?

24 A. Yes, the originals and the copies were previously
25 submitted to the Board.

- 1 Q. Have you filed permits to convert the vertical ventila-
2 tion holes that are listed in the south longwall 6?
- 3 A. I have filed the permits with the inspector.
- 4 Q. Have any objections to the permit applications been made
5 by coal owners or operators?
- 6 A. No.
- 7 Q. Has a drilling permit been previously refused to Pocahon-
8 tas Gas Partnership on any of the tracts that make up
9 this unit?
- 10 A. No.
- 11 Q. What percentage of the coal and the tracts that comprise
12 the south longwall 6 has the Pocahontas Gas Partnership
13 leased?
- 14 A. We have 96.12 percent of the Pocahontas Number 3 seam and
15 100 percent of all coal below the tiller seam leased.
- 16 Q. What percentage of the oil and gas rights in the tracts
17 that comprise the SLWG does PGP control?
- 18 A. 49.58 percent.
- 19 Q. On what percentage of the acreage do you have coal bed
20 methane gas leases?
- 21 A. One hundred percent.
- 22 Q. Could you please state the unleased owners and the lease
23 hold owners and mineral owners that are leased to other
24 parties who will be pooled?
- 25 A. Yes. Island Creek Coal Company, for the coal, has .250

1 acres tract, a 5.20 acre tract and 1.760 acre tract. The
2 oil and gas acreage, which I've previously stated, is us
3 controlling 49.58 percent. That was as of yesterday.
4 We've leased a couple of extra tracts now. I'll go ahead
5 and update that also. Unleased will be Amos Meadows. He
6 has three tracts, 3.661 acres, 1.760 acres, 1.16 acre
7 tract. The W. J. Sisk heirs. They have two total
8 tracts. One being 15.470 acres and 5.20 acres, of which
9 we leased all but the Nancy Sisk heirs. Nancy Sisk,
10 which Elizabeth alluded to, and that's .53 -- .553 acres,
11 and .186 acres. We have just leased the Walter Sisk
12 tract of .52 acres and .185 acres. Still unleased would
13 be the Ernest Addison heirs portion of the Gale Henderson
14 portion of the Ernest Addison heirs. That's .342 acres.
15 Also listed as unleased was Corbett Jackson of .277
16 acres. That one, also, has been leased. Coal Mountain
17 Mining Company, 12.476 acres. Ruby Horne, 25.062 acres.
18 Thurman Wade, 6.556 acres, and that tract is leased now.
19 J. D. King tract of .185 acres. The Ernest King heirs,
20 20.780 acres.

21 MR. MCGLOTHLIN: Excuse me, Mr. Chairman.

22 MR. CHAIRMAN: Mr. McGlothlin.

23 MR. MCGLOTHLIN: Are there two Thurman Wade's?

24 MR. ARRINGTON: No. Did I miss one?

25 MR. MCGLOTHLIN: In the previous hearing, you had an address

1 at Raven, Virginia. Now we show one at Oakwood, Vir-
2 ginia. I just wondered --

3 MR. ARRINGTON: That must be a typographical.

4 MR. FULMER: Who was this?

5 MR. MCGLOTHLIN: Thurman Wade.

6 MR. ARRINGTON: I'm not sure. Where is that listed at, Kevin?

7 MR. MCGLOTHLIN: You just mentioned his name. Exhibit B of
8 Exhibit 3. It's under the --

9 MR. ARRINGTON: It's the same Thurman. I must have just had
10 the wrong address on one of them, It's the same one.

11 MR. MCGLOTHLIN: Just making sure he got notified properly.

12 MR. ARRINGTON: To be honest with you, without looking back, I
13 don't. Do you know which one is the right address?

14 Q. (Ms. McClanahan continues.) But you do have a receipt
15 that's been returned for him.

16 A. Yes, Yes, we do.

17 MR. MCGLOTHLIN: You had a receipt on the other one for a
18 Raven address. I just figured there might have been two
19 of them.

20 MR. ARRINGTON: No, it's the same.

21 MS. MCCLANAHAN: The postmaster must know where to send it to.

22 MR. MCGLOTHLIN: If you're from Buchanan County, everybody
23 knows Thurman.

24 Q. (Ms. McClanahan continues.) Since we're talking about
25 Exhibit 3, Mr. Arrington, Exhibit 3 is the amended

1 application page and also amended Exhibit C and D showing
2 the parties who were leased or acquired since the first
3 time the application was filed, is that correct?

4 A. Yes.

5 MS. MCCLANAHAN: We would introduce those as Exhibit 3 to this
6 hearing. However, as Mr. Arrington has just testified,
7 last night we acquired and leased additional interests
8 which do not show on this particular exhibit. So we will
9 have to submit that to the Board after the hearing today.
10 It will change. Those parties would, obviously, just be
11 deleted from the people who are to be forced pooled.

12 (PGP's Exhibit 3 received.)

13 MR. EVANS: If you would like to go through and just dismiss
14 those parties that you've already --

15 MS. MCCLANAHAN: I think Les just mentioned that. You have
16 that list, don't you, there?

17 MR. ARRINGTON: Yes.

18 Q. (Ms. McClanahan continues.) Could you just tell us the
19 people that have been leased and acquired that are
20 presently listed on --

21 MR. EVANS: Starting on page where and what?

22 MR. ARRINGTON: Exhibit 3, it would be the revised Exhibit D,
23 page one, or we can do Exhibit C. Whichever one you want
24 to do.

25 Q. (Ms. McClanahan continues.) Exhibit D.

1 A. Exhibit D. Okay. It will be under section 3, oil and
2 gas fee ownership. Number 2, W. J. Sisk heirs. It would
3 be Walter Jackson Sisk. He's been leased.
4 MR. EVANS: Okay, so they'll be dismissed from this case?
5 MR. ARRINGTON: Yes. Number 4, Corbett Jackson and Number 7,
6 Thurman Wade.
7 MR. MCGLOTHLIN: You're dismissing Mr. Wade?
8 MS. MCCLANAHAN: He signed a lease.
9 MR. ARRINGTON: He signed a lease.
10 MR. MCGLOTHLIN: Okay, because I haven't found a green card
11 for him yet in here.
12 MR. ARRINGTON: There should have been, Kevin. What happened
13 -- they were all mailed -- all of these forced poolings
14 were mailed in the same package.
15 MR. FULMER: It might show up in Exhibit 5.
16 MR. ARRINGTON: He is. Yeah. Thurman Wade. It was in 185.
17 The next one.
18 MR. CHAIRMAN: Will you hand those back to the Inspector and
19 just have him verify on the record --
20 MR. FULMER: Thurman Wade in Oakwood, Virginia.
21 MR. CHAIRMAN: Thank you.
22 Q. (Ms. McClanahan continues.) Are those the only parties
23 that need to be dismissed, Les?
24 A. Yes.
25 Q. Are the conflicting claimants, whose funds are to be

1 ascrowed, listed on Exhibit E of the south longwall &
2 application?

3 A. Yes, they are.

4 Q. A current list of those is a part of the amended Exhibit
5 3 that's been submitted to the Board, is that right?

6 A. Yes. Yes, it is.

7 Q. You're requesting that the Board pool the interests of
8 the parties listed on Exhibit C of the south longwall &
9 application?

10 A. Yes.

11 MS. MCCLANAHAN: Those are all the questions I have for Mr.
12 Arrington.

13 MR. CHAIRMAN: Any other questions, Members of the Board?

14 MR. FULMER: I think, just as a matter of clarity, in Exhibit
15 E, I show the same parties are to be dismissed in Exhibit
16 E.

17 MS. MCCLANAHAN: That may not necessarily be the case because
18 they may be leased but still be a conflicting claimant.

19 MR. FULMER: I'm just checking.

20 MS. MCCLANAHAN: Right. Okay. See we have to analyze both
21 the oil and gas, coal lease, and the coal bed methane
22 lease to determine whether they're conflicting claimants
23 to be put on Exhibit E. So can we do that and let you
24 know about if there are any changes to be made to Exhibit
25 E?

1 MR. CHAIRMAN: Yes. Any other questions?

2 MR. MASON: Mr. Chairman. I just want to ask you one.

3 MR. CHAIRMAN: Mr. Mason.

4 MR. MASON: Maybe this is a totally redundant question, but

5 I'm curious. You all phrased this in terms of pooling

6 all interests and estates of the persons and entities

7 named in Exhibit D. There is heirs unknown (inaudible)

8 If there was an unknown heir or an unknown owner in

9 there, would this pooling order be enforceable against

10 them? In other words, isn't what you really want to pool

11 all interests and estates contained within the boundaries

12 of that unit as well as all the interests of these people

13 and entities that you specify?

14 MS. MCCLANAHAN: It would all the owners within the unit and

15 boundaries.

16 MR. MASON: I understand that. I'm just, you know --

17 MR. JONES: Absolutely. Absolutely.

18 MR. MASON: I'm just curious about the phraseology, "pooling

19 all the interests and estates of the persons and entities

20 named herein in Exhibit D and their known and unknown

21 heirs, execs, of both immediate for the drilling and

22 production." What I'm saying is, one of the reasons we

23 do this is any unknown owners or -- I mean, if you're

24 only pooling against the interests of those that you

25 designate and there's no inclusion of any unknowns.

1 First of all, I guess, is that possible?

2 MR. JONES: I guess -- I see your point. I think the way we
3 phrased it, though, is that normally we will have a
4 record owner. It's just that that record owner, we know
5 to be deceased and to have unknown heirs.

6 MR. MASON: I understand that. But what if there was a person
7 that, prior to the chain of title, that was an unknown
8 heir or an unlisted heir or something like that, who had
9 a potential claim. I mean, what you really want is to
10 pool all interests contained within the boundaries of
11 this unit, not as directed just to listed persons and
12 entities.

13 MS. MCCLANAHAN: I believe the way that's phrased is that the
14 persons listed and their unknown heirs and --

15 MR. WAMPLER: And their.

16 MR. MASON: Yeah. And their.

17 MS. MCCLANAHAN: Right. And their unknown heirs.

18 MR. MASON: But what about predecessors?

19 MR. WAMPLER: It doesn't include any that you may have missed.
20 Like I don't know how the OXY thing may shake out, but,
21 you know, that might be --

22 MR. MASON: Well, that was my next question. No, I just
23 think, you know, you may want to make it clear that the
24 intent is to force pool all interests and estates
25 contained within the boundaries of that unit. Whether

1 they're listed or not listed or anything else. Known,
2 unknown or hereafter found out about.

3 MR. JONES: That's a good suggestion.

4 MS. MCCLANAHAN: Our next witness is Mr. Gillenwater.

7 WILLIAM D. GILLENWATER

8 a witness who, after having been duly sworn, was examined and
9 testified as follows:

11 DIRECT EXAMINATION

13 BY MS. MCCLANAHAN:

14 Q. Would you please state your full name for the record?

15 A. William D. Gillenwater.

16 Q. And your address?

17 A. Box 378, Pocahontas, Virginia.

18 Q. By whom are you employed?

19 A. Consol, Inc.

20 Q. Your position at Consol?

21 A. District landman.

22 Q. Could you give us a brief employment history?

23 A. I've been with the Land Department for over 13 years and
24 in the capacity of District Landsman for approximately 8
25 years.

- 1 Q. Where is your experience in obtaining mineral leases been
2 concentrated?
- 3 A. Mainly in coal.
- 4 Q. Have you obtained oil and gas and coal bed methane
5 leases?
- 6 A. Yes, I have.
- 7 Q. In what particular area of the country?
- 8 A. Southwest Virginia.
- 9 Q. In your experience in obtaining leases in southwest
10 Virginia, are you familiar with the fair market value for
11 coal leases, oil and gas leases and coal bed methane
12 leases in the unit area proposed for south longwall 6?
- 13 A. Yes, I am.
- 14 Q. How many acres have you leased in Buchanan County in the
15 last year?
- 16 A. In excess of 40,000.
- 17 Q. What do you believe to be the fair market values terms
18 for a coal bed methane lease in this area?
- 19 A. As a rental, \$1.00 per acre per year and a 1/8 production
20 royalty.
- 21 Q. What do you believe to be standard industry for primary
22 term?
- 23 A. A ten year term.
- 24 Q. With regard to the unleased owners that are listed on the
25 south longwall 6 amended application exhibit, have you

1 contacted those landowners or tried to contact them to
2 obtain a lease?

3 A. Yes.

4 Q. What kind of lease have you offered each of them?

5 A. Similar to the terms that I've outlined to you.

6 Q. By what method did you contact each of them and offer
7 them a lease?

8 A. Everybody was in person with the exception of Amos
9 Meadows, which was by telephone.

10 Q. Are there any leasehold owners that are listed on the
11 south longwall 6 application that you made an offer to
12 with regard to an assignment of their leasehold inter-
13 ests?

14 A. Yes. Yes, there is. That's --

15 Q. In other words, there are certain individuals on here who
16 are leased to other companies, is that correct?

17 A. Yes, ma'am, that's correct.

18 Q. With regard to those companies, have you proposed an
19 assignment of that acreage?

20 A. Yes, we have.

21 Q. Were you able to come to an agreement as to the proposed
22 assignment?

23 A. Not at this time.

24 Q. Were there any owners for whom addresses were unknown?

25 A. No.

1 MS. MCCLANAHAN: Those are all of the questions I have for Mr.
2 Gillenwater.

3 MR. CHAIRMAN: Questions, Members of the Board? You can
4 proceed.

5 MS. MCCLANAHAN: I'd like to call Mr. Albert.

6 MR. CHAIRMAN: I'll just remind you, you're still under oath,
7 Mr. Albert.

8
9
10 RANDALL M. ALBERT

11 a witness, having been previously sworn, was examined and
12 testified as follows:

13
14
15
16 DIRECT EXAMINATION

17
18 BY MS. MCCLANAHAN:

19 Q. Could you please state your full name?

20 A. Randall M. Albert.

21 Q. Your address?

22 A. 2801 Tolosa Street, Bluefield, West Virginia.

23 Q. By whom are you employed?

24 A. Consolidation Coal Company.

25 Q. Your position?

1 A. Project manager with Pocahontas Gas Partnership.
2 Q. Educational background?
3 A. B.S. in mining engineering from VPI.
4 Q. Do you hold any licenses?
5 A. I'm a certified, registered professional engineer in the
6 Commonwealth of Virginia and the State of West Virginia.
7 Q. Could you please give us a brief work history?
8 A. I've been employed by Consolidation Coal Company since
9 June of '79 in various engineering positions.
10 MR. CHAIRMAN: We can waive that since we've already heard it.
11 MS. MCCLANAHAN: Okay. He's qualified before the Gas and Oil
12 Board before.
13 Q. (Ms. McClanahan continues.) Have well work permits been
14 submitted for the wells proposed in the south longwall 67
15 A. Yes, except for the additional -- the fourth well, which
16 is shown on Exhibit something -- one of the exhibits,
17 Exhibit 7.
18 Q. Exhibit 7.
19 A. If you refer to Exhibit 7, you'll see that there are
20 three wells presently drilled in the south longwall 6.
21 I'll refer you back to our unit application. We were
22 asking for a fourth well.
23 Q. The three that have already been drilled are designated
24 as PGF 116, 117 and 118, is that correct?
25 A. That is correct.

1 Q. You would propose an additional well to be drilled in
2 that panel also?
3 A. Yes, I would.
4 MR. MASON: Excuse me.
5 MR. CHAIRMAN: Mr. Mason.
6 MR. MASON: Wait a minute. You've got 116, 117 and 118?
7 MR. ALBERT: Yes, sir.
8 MR. MASON: What's the one that you wish to drill?
9 MR. ALBERT: By number?
10 MR. MASON: Does it have one yet?
11 MR. MCCLANAHAN: No.
12 MR. ALBERT: Actually it does, but I'm the only one that would
13 know that. It would be 118C.
14 MR. MASON: Is it on here?
15 MR. ALBERT: No.
16 MR. MCCLANAHAN: It's on the map that we submitted with the
17 unit application.
18 MR. FULMER: It's in another book.
19 MR. EVANS: It's in the book from this morning.
20 MR. MASON: Okay. Where you showed all the panels and all the
21 wells?
22 MR. MCCLANAHAN: Right. And they're listed as proposed well
23 or additional well or existing well.
24 MR. MCGLOTHLIN: Mr. Chairman.
25 MR. CHAIRMAN: Mr. McGlothlin.

1 MR. MCLOTHLIN: Ms. McClanahan, just for the record, these
2 are proposed CBM wells and not CBM wells at this point?
3 MS. MCCLANAHAN: 116, 117, and 118 are presently VVHs that are
4 to be converted into CBMs.
5 MR. ALBERT: That is correct.
6 MR. MCLOTHLIN: Okay. Just wanted it on the record.
7 MR. MASON: Again, you proposed to drill one additional well?
8 MS. MCCLANAHAN: That is correct.
9 MR. ALBERT: As a CBM.
10 MR. MCLOTHLIN: Could you approximate the location?
11 MR. ALBERT: It would be, for approximation, it would be about
12 2,000 feet north of 118 if there's anyway to scale that.
13 MR. MCLOTHLIN: Would you say that is about a half inch below
14 your number 26 on that panel -- that tract number?
15 MR. ALBERT: I would, at this point in time, approximate it
16 right about the number 26 located on that.
17 MS. MCCLANAHAN: If you look at Exhibit 17 from our unit
18 application for 5 through 12.
19 Q- (Ms. McClanahan continues.) Have you received any
20 responses to the forced pooling application that's been
21 filed for the south longwall 6?
22 A. No, we have not.
23 Q- Is PGP the owner of the drilling rights underlying the
24 mineral tracts that are to be encompassed by this unit?
25 A. Yes.

1 Q. Does the plat attached to the forced pooling application
2 filed by PGP indicate the acreage to be embraced within
3 the south longwall 6 as approved by the Board today?
4 A. Yes, it does.
5 Q. Does the plat attached to the forced pooling application
6 filed by PGP indicate the shape of the acreage to be
7 embraced within the south longwall 6?
8 A. Yes, it does.
9 Q. Does the unit follow the boundary lines of the longwall
10 panel and its surrounding area for the mine that com-
11 prises the south longwall 6?
12 A. Yes, it does.
13 Q. Does the plat attached to the forced pooling application
14 indicate the area within which the wells will be con-
15 verted or drilled on the south longwall 6?
16 A. Yes, it does?
17 Q. Does this unit embrace two or more separately owned
18 tracts?
19 A. Yes, it does.
20 Q. Are the costs and expenses for the wells set forth on
21 detail well estimates attached to the forced pooling
22 application as Exhibits H through J.
23 A. Yes, they are.
24 Q. Have there been any revisions to the DWE's for the wells
25 that comprise the SLWG since the date we filed this

1 application?

2 A. Yes, we are submitting a DWE for the additional well to
3 be drilled.

4 Q. That is Exhibit B?

5 A. Yes.

6 Q. Do all of these exhibits reflect the cost of drilling the
7 wells to total depth and completed for production costs?

8 A. Yes, they do.

9 Q. How did you calculate the costs that are listed on the
10 DWE's?

11 A. For the three wells that are drilled, 116, 117, and 118,
12 those are actual costs as incurred by the partnership.
13 For the additional well, that is the average of the wells
14 drilled in that area.

15 Q. Are you requesting that Pocahontas Gas Partnership be
16 designated as the well operator authorized to operate
17 this south longwall G?

18 A. Yes, we are.

19 Q. And that the Board prescribe the time and manner in which
20 other mineral and leasehold owners may elect to partici-
21 pate in the operation of the wells?

22 A. Yes, we are.

23 Q. That participating mineral and leasehold owners bear the
24 reasonable costs and expenses connected to the wells in
25 the proportion which the acreage they own has to the

1 total acreage in the south longwall 67

2 A. Yes.

3 Q. That the Board make provision for the payment of all

4 reasonable costs of the operation including a reasonable

5 supervision fee by all mineral or leasehold owners who

6 elect to be participating owners?

7 A. Yes.

8 Q. That the Board provide alternatives to mineral or

9 leasehold owners who do not elect to be participating

10 owners in the unit?

11 A. Yes, we do.

12 MR. MCCLANAHAN: Those are all the questions I have for Mr.

13 Albert.

14 MR. MASON: Mr. Chairman.

15 MR. CHAIRMAN: Mr. Mason.

16 MR. MASON: Mr. Albert, in paragraph 2.2 of your petition, you

17 list the three wells, 116, 117 and 118. That's in the

18 first sentence. Then you come down and list the same

19 three wells again and you describe them as hereinafter

20 the wells. correct?

21 MR. ALBERT: Yes, sir.

22 MR. MASON: Then over here under relief sought, you set forth

23 that under E, that providing that all reasonable costs

24 and expenses of drilling, completing, equipping, operat-

25 ing, plugging and abandoning the well, with a capital W,

1 which I assume refers back to the wells in that para-
2 graph?
3 MS. MCCLANAHAN: That's correct.
4 MR. MASON: Would you not wish to include the fourth well in
5 there?
6 MR. ALBERT: Yes, sir, we would.
7 MS. MCCLANAHAN: That's why we added the amended Exhibit A, to
8 include the fourth well.
9 MR. MASON: Well, I understand that you've added an additional
10 DWE, but you want to -- this application would include
11 the total wells? All four wells?
12 MR. ALBERT: That is correct.
13 MS. MCCLANAHAN: That's correct.
14 MR. ALBERT: Yes, sir.
15 MR. MASON: Are you going to address further some of the other
16 things that you've asked for in here?
17 MR. ALBERT: Specifically?
18 MR. MASON: Yes, sir.
19 MR. ALBERT: I mean, what other things would you want me to
20 address specifically?
21 MR. MASON: Well, like, what is a operator's lien on a methane
22 gas estate rights owned or claimed by the persons and
23 entities named herein in number B.
24 MS. MCCLANAHAN: Do you want me to answer that?
25 MR. MASON: Please.

1 MS. MCCLANAHAN: Okay. What we're requesting is that --
2 generally speaking, in operating agreements, whoever is
3 operating the well would have a lien on the assets, let's
4 say. Generally speaking, the assets that belong to the
5 operator. For example, if there's a participant in this
6 particular unit, then the operator would have a lien on
7 that supposing that if the participant was not putting up
8 the costs that he owed.

9 MR. MASON: I understand that. But isn't that all dealt with
10 through the election and the escrow arrangements that we
11 have under this Act?

12 MS. MCCLANAHAN: That would not be done without an order of
13 the Board, because the statute does not impose an lien
14 without an order of the Board. Generally --

15 MR. MASON: That's what I'm saying. You're asking us to do
16 that?

17 MS. MCCLANAHAN: That's correct. That's what the Board has
18 done in the past with regard to --

19 MR. CHAIRMAN: Isn't that something, though, that's more
20 appropriately placed in the operating agreement?

21 MS. MCCLANAHAN: Well, that can be done or it can be put in
22 the Board order.

23 MR. MASON: What I'm particularly sensitive to here is
24 something that would in any way affect this escrow
25 arrangement. Should there be any perception of a lien

1 that would affect any funds flowing into the escrow which
2 an operator would have the right to make demand on the
3 escrow agent for those funds based on some lien. That's
4 what I'm trying to address.

5 MS. MCCLANAHAN: Well, I think I can speak for PGP on this.
6 We would not want the order to reach such that we would
7 have a lien on any escrow funds. Because we would
8 understand that we couldn't have a lien on the escrow
9 funds.

10 MR. MASON: Yeah, plus I'm not that familiar with what rights
11 of an operator under Virginia law to have a lien anyway.
12 So that's why I was asking. I know there are -- I've
13 dealt with it in other states, but I'm not familiar with
14 it here. Specifically, you know, by doing it, what is it
15 that you request that this Board place in the order in
16 regard to this?

17 MS. MCCLANAHAN: Well, I have a draft order which is similar
18 to the previous draft orders that I've submitted so they
19 have the specific language if you want to review that.

20 MR. MASON: Okay.

21 MS. MCCLANAHAN: Do you want me to submit that to you now
22 or --

23 MR. MASON: No. I just, you know, I just had, in going
24 through this, I had not recalled previously seeing that
25 and I wondered what it meant. Thank you.

1 MR. MCGLOTHLIN: Mr. Chairman.

2 MR. CHAIRMAN: Mr. McGlothlin.

3 MR. MCGLOTHLIN: Mr. Albert, the possibility of -- in the
4 future on your DWE's to include the total depth of the
5 well?

6 MR. ALBERT: Yes, sir, Mr. McGlothlin, I was just looking at
7 that myself as I go through and try to add it up. There
8 is a little trick I would tell you. If you will look at
9 the amount of tubing in the hole. That will almost
10 always be your total depth. But we will, in the future,
11 list the total depth at the top.

12 MR. MCGLOTHLIN: I would appreciate it. Thank you.

13 MR. MASON: Mr. Chairman.

14 MR. CHAIRMAN: Mr. Mason.

15 MR. MASON: Let me ask you about these DWE's, Mr. Albert. You
16 testified -- who actually drilled these VVHs? You said
17 PGP did. Did they actually drill them or did Consol
18 drill them?

19 MR. ALBERT: No, sir, PGP drilled these VVHs here in question.
20 Anything drilled after September the 1st, 1990 was
21 drilled by PGP. These wells were all drilled after that
22 date.

23 MR. MASON: Okay. As to number 116, when was that drilled?

24 MR. ALBERT: That well was drilled in October of '90.

25 MR. MASON: 117?

1 MR. ALBERT: October of '90.

2 MR. MASON: And 1187

3 MR. ALBERT: About November of '90.

4 MR. MASON: Okay. Since they were drilled, have these VVHs
5 been used for anything? Have they been venting gas?

6 MR. ALBERT: Yes, sir, they have been venting gas. Not since
7 the date of drilling. There was a -- we were out at a
8 new area. These wells were drilled to take advantage of
9 the tax credit which was thought was going to expire at
10 the end of '90. So these wells actually sat idle for
11 nearly a year before we put them into production.

12 MR. MASON: I see. So there was a long completion period?

13 MR. ALBERT: Yes.

14 MR. MASON: You testified, I believe, that these well costs
15 are based upon average cost of wells in the area, is that
16 correct?

17 MR. ALBERT: No, sir. For the 116, 117 and 118 are actual
18 costs. We took them, actually, from invoices where
19 available. What I was referring to as an average was
20 the additional well, which has not been drilled yet.

21 MR. MASON: I see. The fourth well?

22 MR. ALBERT: The fourth well. That is correct.

23 MR. MASON: During the time that these wells have been
24 utilized as VVHs, do you think the mining operation is
25 derived any benefit from them?

1 MR. ALBERT: No direct benefit, no, sir. We're not mining in
2 that area.

3 MR. MASON: This is all unmined area?

4 MR. ALBERT: Yes, sir.

5 MR. MASON: Okay, thank you.

6 MR. CHAIRMAN: Other questions of Mr. --

7 MR. KELLY: I have one, Mr. Chairman.

8 MR. CHAIRMAN: Mr. Kelly.

9 MR. KELLY: Also on the DWE here, I'm just curious on your
10 contract billing cost here. Could you tell me what is
11 included in that number?

12 MR. ALBERT: That is -- conductor pipe would be the only
13 casing. Other than that, it would be a straight
14 drilling by the foot charge. The charges normally
15 associated with drilling by the foot. And running
16 casing, and of course, standby times for logging and so
17 forth.

18 MR. KELLY: Well, it just seemed to me -- that's what I was
19 trying to get to here was the \$60,000 for a 2,000 foot
20 well is somewhere approaching \$30.00 a foot.

21 MR. ALBERT: That is actually what we pay for drilling. One
22 thing to remember, these wells, as I testified in the
23 past, these wells are 12 1/4 inch wells.

24 MR. KELLY: Okay. So the cost is related, essentially, to the
25 drilling of the larger holes.

1 MR. ALBERT: Yes, sir.
2 MR. KELLY: Okay. Thank you.
3 MR. MCGLOTHLIN: Mr. Chairman.
4 MR. CHAIRMAN: Mr. McGlothlin.
5 MR. MCGLOTHLIN: Follow-up on Mr. Kelly's question. Do you
6 anticipate all of your wells to be of that size?
7 MR. ALBERT: Yes, sir. Let me rephrase that. I wouldn't
8 anticipate all wells to be of that size. I would
9 anticipate all wells that we intend to use eventually as
10 gob wells to be of that size.
11 MR. MCGLOTHLIN: Do you feel that you could get the same
12 amount of gas from a smaller well bore?
13 MR. ALBERT: No, sir.
14 MR. KELLY: Mr. Chairman, let me follow to that --
15 MR. CHAIRMAN: Mr. Kelly.
16 MR. KELLY: We might as well find out exactly what's going on
17 here. Could you explain a little more in detail what
18 size holes you're drilling, to what depth, and so forth.
19 Well, just generally. We don't need a lot of detail, I
20 wouldn't think.
21 MR. ALBERT: Generally --
22 MS. MCCLANAHAN: We have an exhibit for --
23 MR. ALBERT: We drill -- on average we drill 15 or 17 1/2 inch
24 holes. It varies, depending on conditions. To set a
25 coal protection string, which is below the jawbone --

1 MR. KELLY: Like here you've got 516 feet of 13 3/8.
2 MR. ALBERT: That's coal protection string somewhere below the
3 jawbone seam of coal.
4 MR. KELLY: You drill a 12 1/4 hole out from --
5 MR. ALBERT: We drill a 12 1/4 hole out from under the 13 3/8
6 to just about 120 feet from the 3 seam. We, then, trip
7 out and drill a 7 7/8 inch hole to 120 feet below the 3
8 seam. We set a string of 5 1/2 casing on a shoe and
9 cement the bottom 100 feet just above the 3 seam.
10 MR. KELLY: Down in the 7 7/8 hole?
11 MR. ALBERT: Down in the 7 7/8 hole. Drill it out and
12 stimulate the 3 seam. We, then, will produce the 3 seam
13 up to 5 1/2 and we will produce the upper seams, unstimu-
14 lated, behind the 5 1/2 or on the backside.
15 MR. KELLY: The point I was trying to get to was if you run a
16 5 1/2 inch casing, why do you need a 12 1/4 inch hole?
17 MR. ALBERT: That's right.
18 MR. MASON: So you're producing the seams above the 3?
19 MR. ALBERT: I'm producing the seams above the 3 on the
20 backside.
21 MR. KELLY: Is there any change that takes place as far as the
22 time that you do go into gob production?
23 MR. ALBERT: Yes, we --
24 MR. KELLY: Do you pull the 5 1/2?
25 MR. ALBERT: We pull the 5 1/2, leaving the 12 1/4 inch open.

1 MR. CHAIRMAN: Are you going to allocate the costs of produc-
2 ing a unit by unit or by well?
3 MR. ALBERT: The allocation is by unit.
4 MR. CHAIRMAN: Other questions, Members of the Board?
5 MR. MASON: If I may -- let me ask you this. You've asked to
6 force pool this unit and drill four wells into this
7 panel.
8 MR. ALBERT: Yes, sir.
9 MR. MASON: You testified this morning that you all anticipate
10 that it may take seven wells to produce this as a gob
11 well?
12 MR. ALBERT: Yes, sir.
13 MR. MASON: Once this is mined through -- I guess I'm asking
14 for a clarification -- would you require additional --
15 would you have to come before the Board with regard to
16 the drilling of those additional wells?
17 MR. ALBERT: Only if we propose to include the cost of those
18 additional wells and, at this time, we are not proposing
19 to do that.
20 MR. MASON: Those were the magic words. Thank you.
21 MR. MCGLOTHLIN: One other question, Mr. Chairman,
22 MR. CHAIRMAN: Mr. McGlothlin.
23 MR. MCGLOTHLIN: You have a fee of \$3,000 for fence. Just out
24 of curiosity, how big of a fence are you building and
25 what type?

1 MR. ALBERT: We build a 8' fence with three strands of barb
2 wire. Typically, it will be about a 40' x 60' fence.
3 MR. MCGLOTHLIN: 200' of fence?
4 MR. ALBERT: At least 200' of fence, plus a 16' gate for
5 getting a truck through and a walk through gate for
6 getting people through. Grounded to satisfy all the
7 governmental authorities.
8 MR. MCGLOTHLIN: \$3,000 buys a lot of fence in my business.
9 MR. CHAIRMAN: Other questions? Mr. Mason.
10 MR. MASON: I was looking here. What's the total acreage
11 within this panel? Did I read somewhere it was 300
12 acres?
13 MR. ALBERT: No, sir.
14 MR. MASON: 185 acres?
15 MR. ALBERT: That rings a bell.
16 MR. MASON: I'm just curious, could you all --
17 MR. ALBERT: 185.915 acres.
18 MR. MASON: Yeah. If you take the cost of these four proposed
19 wells back against the acreage included in here, have you
20 worked that out to a per acre cost?
21 MR. MCCLANAHAN: Yes, in fact Mr. Morgan is going to testify
22 about that. If you want, this would be a good time to
23 switch to him if that's okay with you all.
24 MR. MASON: Okay. Yeah, I'm just curious as to that compares
25 with the 80 acres versus the cost. Obviously, what we're

1 interested in is that the cost of doing it this way as
2 relates to the cost as we've previously gone along, you
3 know. I didn't realize -- I'm sorry.

4 MR. MCCLANAHAN: Well, Mr. Morgan has already been sworn in,
5 right? So can we just have him answer that question for
6 you?

7 MR. CHAIRMAN: Yes, sir.

8 MR. MORGAN: What we are proposing to do, Mr. Mason, since
9 these wells will serve two different units -- these wells
10 will serve this unit, which is the frack, the gob, and
11 the horizontal gas --

12 MR. MASON: Short hole gas?

13 MR. MORGAN: Short hole gas. They will later be a unit for
14 the sealed gob area. These wells will serve that same
15 unit. We will show you an example of what we have done.
16 Since these wells will serve both units, and since the
17 unit areas will change so it's not strictly a per acre
18 cost in the total wells, what we have done is took the
19 cost of these four wells -- the cost that we charge this
20 unit, this SLWG, is a percentage of that total cost and
21 that percentage is determined by our projected production
22 from this unit divided by the total production of this
23 unit and those same wells in the sealed gob unit. What
24 that comes out to when you apply the numbers to this, is
25 you're actually looking at about 2.4 wells in that

1 acreage per cost. The remaining charge for those four
2 wells goes later to the sealed gob unit. When we make
3 that application, that will be another hearing before the
4 Board. The production, when you look at it from that
5 basis, the production from these wells -- total produc-
6 tion -- is estimated to be around \$600,000, excuse me --
7 600 million cubic feet total production, which is
8 somewhat in excess of what's usually been proposed on an
9 80 acre well. So we believe the economics are better
10 than the normal 80 acre applications that have been
11 supplied here.

12 MR. MASON: Yeah. So that's what I'm trying to get to. Is it
13 in your expert opinion, the actual cost borne by the
14 production of gas from this type of panel on this basis
15 is on a per acre per well cost level actually cheaper
16 than what we've seen in past testimony on 80 acre
17 spacings?

18 MR. MORGAN: It is. In this situation you're in, it is as I
19 said, when you work through those percentages, you come
20 out with about 57 percent of the cost of those four wells
21 would be allocated to SLW6 unit.

22 MR. MASON: So what you're telling me, is that you all are
23 going to take these wells costs -- let me just be sure I
24 understand this. Basically, you're treating this thing
25 -- this area encompassed within this SL6 -- as having two

1 lives, really. One is a longwall panel unit that we
2 created today. You anticipate that it will later be
3 concluded as a part of a larger sealed gob unit?
4 MR. MORGAN: Part of the sealed gob unit for those --
5 MR. MASON: And at that time, you will make an -- there will
6 be additional -- these wells will, then, become wells in
7 that sealed gob unit?
8 MR. MORGAN: And the balance of that cost will be allocated to
9 that unit.
10 MR. MASON: Right. So you're going to divide the cost of
11 these wells between their lives as a part of this unit
12 and later as this sealed gob unit?
13 MR. MORGAN: Right.
14 MR. MASON: And you're making a cost allocation on that basis.
15 You're saying what we're really doing here is burdening
16 this unit with approximately 2. --
17 MR. MORGAN: 2.3, I think the number is.
18 MR. MASON: -- wells per panel for this panel.
19 MR. MORGAN: That's right.
20 MR. MASON: Thank you.
21 MS. MCCLANAHAN: That's based on their lives in production
22 numbers.
23 MR. MASON: Right, not time, but it's a function of the actual
24 gas produced.
25 MS. MCCLANAHAN: Right. It's a function of production --

1 right.

2 MR. MASON: Which shouldn't match the costs up against the
3 income string, theoretically.

4 MS. MCCLANAHAN: Right. That is explained on Exhibit 4 that
5 we've submitted.

6 MR. MORGAN: Right. There is an exhibit, Exhibit 4, if you'll
7 look at it, for SLW6. We'll show you what I did on that.

8 MR. MASON: But, in your opinion, as having done this and, you
9 know, being qualified as an expert in these matters, it
10 is your opinion that this is a fair and equitable way to
11 allocate these costs?

12 MR. MORGAN: Yes, it is.

13 MR. MASON: And that, from based on what you have heard at
14 other hearings here, that it's representative and
15 reflective of what's being done generally. You know,
16 what I'm after is that doing these panels this way and
17 doing it the other way are all consistent as protecting
18 these correlative rights on basically the same level.

19 MR. MORGAN: We're very sensitive to that, Mr. Mason, and
20 that's the reason I was making my statement this morning
21 on the multiple wells. We're very sensitive to that cost
22 and, particularly, with this being something different
23 than what has been done under the 80 acre status. We are
24 very sensitive to that and we are making every effort to
25 keep -- compared with the costs and the economics

1 involved.

2 MR. MASON: We appreciate that very much. Thank you.

3 MR. MCCLANAHAN: Mr. Mason, if you divide the number of acres
4 into 2.3 wells, which is what the percentages show, you
5 get 80. --

6 MR. ALBERT: 80.4 acres.

7 MR. MASON: Okay. Thank you.

8 MR. FULMER: I think, Mr. Chairman, one point I would maybe to
9 clarify my own self in this -- if you take this cost
10 allocation, that means that the DWE's would be reduced by
11 that amount.

12 MR. MORGAN: The total cost of the four lumped together. Or
13 you could do it individually and sum them up. I mean,
14 it's the same thing.

15 MR. MASON: Tom, if I may follow up -- well, as I understand
16 -- that's what I was -- I appreciate that -- I meant to
17 ask -- when somebody makes an election to participate,
18 the amount of money that they would have to be put up
19 would be based upon what -- the DWE cost or the per-
20 centage allocation?

21 MR. MORGAN: It would be the DWE's times this percentage.

22 MR. MASON: Okay. Then that would --

23 MR. MORGAN: Times their percent acreage.

24 MR. FULMER: Yeah, until they come back and do the other, then
25 the escrow would be set up --

1 MR. MASON: But you would able, as I understand it, you would
2 have two elections. One to participate in the well that
3 is a part of this panel and another election to make and
4 participate in it when the well becomes a part of the
5 sealed gob.
6 MS. MCCLANAHAN: Right.
7 MR. MORGAN: And that's sometime down the road. That election
8 doesn't have to be made until some time down the road.
9 MR. FULMER: The only point I'm trying to make -- if within
10 the escrow account they elect to participate, then the
11 charge for participating and pay-out would be based on a
12 percentage developed in the DWE.
13 MR. MASON: Yeah, according to this, it would be 57.6 percent
14 of the DWE costs.
15 MS. MCCLANAHAN: Right.
16 MR. MORGAN: That's true.
17 MS. MCCLANAHAN: Times their acreage.
18 MR. MASON: Times their acreage.
19 MR. FULMER: That's what I'm thinking in my head. Is that the
20 way it's going to work?
21 MS. MCCLANAHAN: That's right.
22 MR. CHAIRMAN: Are you truly saying that they're going to get
23 two elections? Are you saying that I can elect to
24 participate on the first go around and, then, lease on
25 the second?

1 MR. EVANS: Or vice versa?

2 MR. CHAIRMAN: Or vice versa?

3 MR. MCCLANAHAN: Okay. The way the Board ordered this --
4 well, do you want to go ahead. Claude, you can answer
5 that question.

6 MR. MORGAN: That has been the intention because the
7 acreage changes, the percentage will change with the
8 sealed gob because, you know, as we've shown in the past,
9 the sealed gob may be somewhat different from what is in
10 this one as longwall areas. So their percent of the
11 acreage -- everything changes. I think the only fair way
12 to -- it is to make it a separate forced pooling,
13 separate relation.

14 MR. CHAIRMAN: I'm sorry, Mr. Mason. I just wanted to get
15 that in there.

16 MR. MASON: Ho, I agree. But I think that's absolutely
17 essential to understand in allowing, you know, the true
18 economics of this thing to be done on a -- you know, that
19 would allow you to make a decision based on -- in fact,
20 it comes back to some of my original objections to these
21 big units to start with because it allows people to make
22 individual decisions based on one set of facts that
23 relate to the income stream as at that time. Thank you.

24 MR. MORGAN: The question -- if I could follow up on one
25 other. The question that you asked, Mr. Mason, as to the

1 four wells. We would anticipate that any additional well
2 that we might try to come back with would have to be
3 justified by drainage or other economics or something of
4 that sort before we would bring any additional costs back
5 to it. It would have to come back to the Board for
6 approval on that basis.

7 MR. CHAIRMAN: Thank you.

8 MS. MCCLANAHAN: I assume, for purposes of the record, that
9 we're stipulating to you Mr. Morgan's qualifications and
10 the fact that he's an expert witness qualified before the
11 board.

12 MR. CHAIRMAN: Yes, we'll stipulate. He's been reminded that
13 he's under oath.

14
15
16 CLAUDE DALE MORGAN

17 a witness who, after previously been duly sworn, was examined
18 and testified as follows:

19
20 DIRECT EXAMINATION

21
22 BY MS. MCCLANAHAN:

23 Q. Mr. Morgan, just to make clear, how did you determine
24 what the estimated active gob and frack gas and sealed
25 gob production would be for these units in determining

1 the calculation that you've explained on Exhibit 47

2 A. The flows for each well is based on our history and the
3 numbers that I presented this morning in the unit
4 application, which was an average of 85,000 cubic feet
5 per day for a frack for ten years and then 10 percent
6 decline thereafter. The horizontal, again, was based on
7 the 15 million cubic feet per thousand for the longwall,
8 which has been our historical data. The active gob is
9 based on some experimentation that we have done in active
10 gob areas. We have never fully produced in active gob
11 areas, but we've got a pretty good handle on what we
12 think we can do out of the active gob area at pipeline
13 quality. These flows are then taken with the projected
14 life of these wells. As I said, these wells will last,
15 under this unit application, a minimum of nine years at
16 which time they may or may not be -- go into a sealed
17 unit. If they don't go into a sealed unit, that's just
18 additional production until it does. In this situation
19 for the SLW6, I took that frack production for two and a
20 half years. The active gob at six and a half years and
21 the horizontal based on the 15 million cubic feet per
22 thousand. That came to a billion, 439 million cubic feet
23 out of the SLW6 longwall unit. The sealed gob, again, is
24 based on our historical data. We expect the sealed gob
25 unit to be formed by these eight panels that we have

1 requested this morning to produce about 8.44 billion
2 cubic feet. There's eight panels of equal length in
3 this. So it's just simply 1/8 of that sealed gob per
4 panel would be produced from that area. That translates
5 to a billion, 55 million cubic feet from the sealed gob.
6 The sum of those -- 2 billion, 494 million cubic feet of
7 gas out of that unit area. Dividing the two gives you
8 the 57.6 percent of the cost for this unit application.

9 MS. MCCLANAHAN: Finally, I would just move the introduction
10 of Exhibit 17 from our 5 through 12 unit application this
11 morning so that that's part of the record since we have
12 discussed that earlier. Otherwise, I don't have any
13 questions for any of the witnesses unless the Board has a
14 question.

15 MR. CHAIRMAN: I think one thing that we need in order to have
16 a stand alone application to pool this unit is to amend
17 these DWE's. I think it may get back to what Tom was
18 searching for to actually reflect this percentage that
19 you've alluded to here. I think that closes the door to
20 this application. Then, when you come back for the
21 sealed unit, when and if you do, then that cost -- you'll
22 still be dealing with the same wells, you think, at this
23 point in time -- but you'll be dealing with those costs
24 with that application. Is that agreeable? Is everybody
25 following?

1 MR. MCCLANAHAN: So you want us to just submit amended DWE's
2 showing the 57.4 percent cost at the bottom of the DWE?
3 MR. CHAIRMAN: I think we need that. I think we need that in
4 here.
5 MR. MASON: If I may --
6 MR. CHAIRMAN: Mr. Mason.
7 MR. MASON: I'm not sure but what it wouldn't even be appropriate that this calculation that's on here -- huh?
8
9 MR. EVANS: To be included.
10 MR. MASON: Yeah. So you would have on that sheet of paper,
11 you know --
12 MR. CHAIRMAN: Yeah, that's what I was doing -- giving it --
13 any other questions? What's your pleasure?
14 MR. MASON: Mr. Chairman, subject to the modification to
15 reflect that percentage and the modification of the wells
16 to include the fourth well, I would move that -- and with
17 the understanding that any operator's liens that may be
18 created would not effect any escrowed funds, I would move
19 the adoption.
20 MR. CHAIRMAN: Have a motion.
21 MR. MCGLATHLIN: Mr. Chairman, could I just mention to include
22 the wording -- your first question concerning the
23 unknowns.
24 MR. MASON: Yes, the pooling of all interests listed on
25 Exhibit D, as well as any known or unknown additional

1 interest contained within the boundaries of this panel.
2 MR. KELLY: Second.
3 MR. CHAIRMAN: We have a motion and a second. Further
4 discussion? All in favor signify by saying yes. Oppose
5 say no. Motion carries.
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

ITEM 5

MR. CHAIRMAN: The next item on the agenda is Docket Number VGOB-92/02/18-0185. I would ask anyone that wishes to address the Board to come forward on this matter, please. We'll take a five minute recess.

(AFTER A BRIEF RECESS, HEARING CONTINUED AS FOLLOWS:)

MR. CHAIRMAN: We're going to get started.

MS. MCCLANAHAN: Before we go on to the next docket number, could I just submit as Exhibit 10 -- is that right, Tom?

MR. FULMER: Yes.

MS. MCCLANAHAN: Exhibit 10, the power of attorney that's been signed by Nancy Sisk to Walter "Bud" Sisk. That's the incompetent that we talked about earlier. She had signed this many years ago to her brother. We gave notice to she and her brother, who has power of attorney for her, so we would submit that as Exhibit 10 for the South Longwell &.

MR. CHAIRMAN: Thank you.

(PGP's Exhibit 10 received.)

MR. MCGLATHLIN: Mr. Chairman, on that note, who was appointed guardian ad litem?

MS. MCCLANAHAN: Jerry Coleman, an attorney in Grundy.

MR. CHAIRMAN: We're now on Docket Number VGOB-92/02/18-0185.

1 MS. MCCLANAHAN: With regard to this particular unit, the
2 south longwall 7, I have the same waiver of notice and
3 orders appointing Jerry Coleman as guardian ad litem for
4 Nancy Bisk because she also has an ownership interest in
5 this. I would submit those as Exhibit 9 for the south
6 longwall 7 with -- I don't have another copy of the power
7 of attorney -- so I would like to submit it as Exhibit
8 10 for this also.

9 MR. CHAIRMAN: Okay.

10 (PGP's Exhibit 9 - SLW7 received.)

11 (PGP's Exhibit 10 - SLW7 received.)

12 MS. MCCLANAHAN: The first witness we'd like to call is Mr.
13 Arrington. Would the Board be willing to stipulate to
14 the qualifications of my witnesses, Mr. Arrington, Mr.
15 Albert, Mr. Morgan and Mr. Gillenwater?

16 MR. CHAIRMAN: Yes, we'll stipulate. Yes.

17 MS. MCCLANAHAN: Thank you.

18
19
20 LEBLEY R. ARRINGTON

21 a witness who, after having been previously sworn, was
22 examined and testified as follows:
23
24
25

DIRECT EXAMINATION

BY MS. MCCLANAHAN:

Q. Mr. Arrington, with regard to the south longwall 7 unit, have you given notices required by Virginia Code Annotated Section 45.1-361.19 to each person or entity that's identified on Exhibit C of the forced pooling application?

A. Yes, we have. That is Exhibit Number 1.

MS. MCCLANAHAN: I move the introduction of Exhibit 1.

(POP's Exhibit 1 received.)

Q. (Ms. McClanahan continues.) How was this notice mailed?

A. By certified mail, return receipt requested.

Q. Do you have copies of those return receipts?

A. Yes. The originals have been submitted.

Q. Copies are at Exhibit 2, is that correct?

A. Yes.

MS. MCCLANAHAN: I move the introduction of Exhibit 2.

(POP's Exhibit 2 received.)

Q. (Ms. McClanahan continues.) Were there any persons whose names and/or addresses were unknown at the time of the filing?

A. No.

Q. None that you knew of?

A. That's correct.

1 Q. However, just in case there were persons whose names
2 and/or addresses were unknown, did you publish a notice
3 in any of the local publications?
4 A. Yes.
5 Q. What are those?
6 A. The Virginia Mountaineer, The Bristol Herald, The
7 Bluefield Daily Telegraph. That was on 1/30, 1/28 and
8 1/25, 1992, respectively.
9 Q. Have those been submitted to the Board?
10 A. Yes, they have.
11 Q. Have you filed permits to convert the vertical ventila-
12 tion hole that's within the south longwall ??
13 A. Yes, we have filed it.
14 Q. Were any objections to that permit application made by
15 coal owners or operators?
16 A. No.
17 Q. Has a drilling permit been previously refused to PGP on
18 any of the tracts that make up the south longwall ??
19 A. No.
20 Q. With regard to Exhibit J that's been submitted to the
21 board today, this shows the percentage of ownership on
22 Exhibit C, is that correct?
23 A. Yes.
24 Q. Are those the same ownership percentages that were listed
25 on the original application that was filed?

- 1 A. No.
- 2 Q. Instead, these show additional interests that have been
3 acquired or leased since the date the application was
4 filed?
- 5 A. Yes, it has.
- 6 Q. Are these current as of today?
- 7 A. No, they are not.
- 8 Q. We also leased additional interests in those?
- 9 A. Yes, we have.
- 10 Q. Let's just go to Exhibit D. Those are the people who are
11 listed as unleased owners and potential owners and the
12 following names which Mr. Arrington will list should be
13 deleted from that exhibit.
- 14 A. Right. From Section number 3, oil and gas fee ownership.
15 Number 4, Thurman Wade, Number 7, Corbett Jackson and
16 Number 9(d), Walter Jackson Sisk.
- 17 Q. Otherwise, does the amended application page Exhibit C, D
18 and E reflect the owners and potential owners of methane
19 gas, the unleased owners on Exhibit D, and the conflict-
20 ing claimants on Exhibit E?
- 21 A. Yes.
- 22 MS. MCCLANAHAN: I will review the conflicting claimants on
23 Exhibit E and submit any changes on that to the Board
24 within the week.
- 25 Q. (Ms. McClanahan continues.) What percentage of the coal

1 rights in the tracts that comprise the south longwall 7
2 has PGP leased to date?

3 A. That's -- coal rights -- 98.96 percent of the Pocahontas
4 Number 3 seam and 95.43 percent of all coal below the
5 Tiller seam less the P3.

6 Q. All of these percentages would have to be amended by
7 adding the acquired interests that we just named on
8 Exhibit D, is that correct?

9 A. Yes.

10 Q. What percentage of the oil and gas rights in the tracts
11 that comprise the south longwall 7 has PGP leased to
12 date?

13 A. Up till yesterday, it was 27.77 percent.

14 Q. It would be a greater number today?

15 A. Yes.

16 Q. What percentage of the acreage does PGP have coal bed
17 methane gas leases?

18 A. 95.43 percent.

19 Q. That would also be an increased number as of today?

20 A. No.

21 Q. So none of the leases that we obtained include coal bed
22 methane?

23 A. No.

24 Q. Are the conflicting claimants whose funds are to be
25 escrowed listed on Exhibit E?

1 A. Yes.
2 Q. You're requesting that the Board pool all of the inter-
3 ests of the parties listed on Exhibit C?
4 A. Yes.
5 MS. MCCLANAHAN: No other questions for Mr. Arrington.
6 MR. CHAIRMAN: Questions, Members of the Board? Call your
7 next witness.
8 MS. MCCLANAHAN: I'd like to call Mr. Gillenwater.

11 WILLIAM D. GILLENWATER

12 a witness who, after having been previously sworn, was
13 examined and testified as follows:

15 DIRECT EXAMINATION

17 BY MS. MCCLANAHAN:

18 Q. Mr. Gillenwater, I'll just remind you that you've been
19 previously sworn. With regard to the unleased owners
20 that are on the south longwall 7 application, have you
21 contacted those landowners, or tried to contact them, to
22 obtain a lease?
23 A. Yes, we have.
24 Q. What kind of lease have you offered each of them?
25 A. The lease was for their oil and gas rights, including any

1 claim to coal bed methane they had, with a \$5.00 per acre
2 per year rental and a 1/8 production royalty.

3 Q. By what method did you contact them and offer them a
4 lease?

5 A. In person and by telephone.

6 Q. With regard to the lease hold owners that are listed on
7 the south longwall 7 application, did you make an offer
8 to those persons or entities regarding an assignment of
9 their lease hold interests?

10 A. Yes, we did.

11 Q. By what method did you contact them to offer an assign-
12 ment?

13 A. It's been in person.

14 Q. Were you able to come to an agreement as to the proposed
15 assigned acreage?

16 A. Not yet.

17 MS. MCCLANAHAN: Those are all the questions I have for Mr.
18 Gillenwater.

19 MR. CHAIRMAN: Further questions, Members of the Board?

20 MS. MCCLANAHAN: I'd like to call Randy Albert.

21
22
23 RANDALL M. ALBERT

24 a witness who, after having been previously sworn, was
25 examined and testified as follows:

DIRECT EXAMINATION

BY MS. MCCLANAHAN:

Q. Mr. Albert, has a well work permit been submitted for the south longwall 77

A. Yes, it has. Conversion of well number 119 from VVH to CBM.

Q. Referring to Exhibit 17 from our previous hearing on the unit application 5 through 12, could you explain which well that you've submitted that for?

A. That would be the -- Well Number 119 would be the most southern well in the unit.

Q. The other three locations that are shown in that panel, are those proposed locations?

A. Yes, they are.

Q. Are those for the drilling of coal bed methane wells?

A. Yes, they are.

Q. Are you requesting that the Board approve the drilling of four wells in that particular panel of the south longwall 77

A. Yes, I am.

Q. Have you received any written responses to the forced pooling application that's been submitted for the south longwall 77

A. No, we have not.

- 1 Q. Is POP the owner of the drilling rights underlying the
2 mineral tracts that are to be encompassed by this unit?
- 3 A. Yes, we are.
- 4 Q. Does the plat attached to the forced pooling application
5 filed by POP indicate the acreage to be embraced within
6 the south longwall 7 as it was approved by the Board
7 today?
- 8 A. Yes, it does.
- 9 Q. Does the plat attached to the forced pooling application
10 filed by POP indicate the shape of the acreage embraced
11 within the south longwall 7?
- 12 A. Yes, it does.
- 13 Q. Does the unit follow the boundary lines of the longwall
14 panel and its surrounding area for the mine that com-
15 prises the south longwall 7?
- 16 A. Yes, it does.
- 17 Q. Does the plat attached to the forced pooling application
18 indicate the area within which the wells would be
19 converted or drilled?
- 20 A. Yes, it does.
- 21 Q. Does this drilling unit embrace two or more separately
22 owned tracts?
- 23 A. Yes.
- 24 Q. Are the costs and expenses for the Well Number 119 listed
25 on the Detailed Well Estimates that are attached to the

1 forced pooling application as Exhibit H?

2 A. Yes, it is.

3 Q. Are you requesting that your application, as it was
4 submitted, be amended to include three additional wells
5 for which you have submitted the DWE's as Exhibit B?

6 A. Yes, I am.

7 Q. Do all of these exhibits reflect the cost of drilling the
8 wells to total depth and completed for production costs?

9 A. Yes, they do.

10 Q. How did you calculate the costs that are listed in the
11 DWE's?

12 A. For 119, it is for the most part, actual costs. For the
13 other three wells, it is, again, average cost based on
14 drilling wells in this particular area.

15 Q. Are you requesting that Pocahontas Gas Partnership be
16 designated as the well operator authorized to operate the
17 south longwall 7?

18 A. Yes, I am.

19 Q. That the Board prescribe the time and manner in which
20 other mineral and lease hold owners may elect to par-
21 ticipate in the operation of the wells?

22 A. Yes.

23 Q. That participating mineral and lease hold owners bear the
24 reasonable costs and expenses connected to the wells in
25 the proportion which the acreage they own has to the

1 total acreage?

2 A. Yes.

3 Q. That the Board make provision for the payment of all

4 reasonable costs of the operation including a reasonable

5 supervision fee by all mineral or lease hold owners who

6 elect to participate?

7 A. Yes.

8 Q. That the Board provide alternatives to mineral or lease

9 hold owners who do not elect to participate?

10 A. That's correct.

11 MS. MCCLANAHAN: I have no further questions for Mr. Albert.

12 MR. CHAIRMAN: Questions, Members of the Board?

13 MR. MCGLOTHLIN: Mr. Chairman.

14 MR. CHAIRMAN: Mr. McGlothlin.

15 MR. MCGLOTHLIN: Mr. Albert, as you drill your additional

16 wells, you will submit updated DWE's to reflect the

17 actual costs?

18 MS. MCCLANAHAN: Well, we can do that. We've discussed this,

19 as a matter of fact, in terms of whether the Board would

20 want to approve the estimates and say that we could not

21 charge. I mean, obviously, we couldn't charge more than

22 this without coming back to the Board. If it was less

23 than this, we would certainly only charge the operators

24 with the lesser costs and we can submit those DWE's at

25 the time.

1 MR. MASON: Excuse me, Mr. Chairman. As a practical matter,
2 though, the election and the escrow of the money by the
3 person electing operating has to be made prior to the
4 drilling, does it not?

5 MR. MCCLANAHAN: Well, in some cases it would be and in other
6 cases, it wouldn't.

7 MR. ALBERT: In this particular case, it wouldn't be. The
8 election would be made. But we did talk about what Mr.
9 McClanahan referred to was that, you know, these are
10 estimates. If the actual cost was something less, how to
11 handle that. Our initial thought was, well, we would
12 make some means to either recompensate, you know to
13 compensate the people back for their money. If it was
14 more than that, then naturally we would have to come back
15 before the Board and ask for more. Then, it would be to
16 the pleasure of the Board.

17 MR. MASON: Yeah, I don't know that I understand or have
18 really contemplated the mechanics of how this money will
19 be transferred out of escrow to the operator. Does
20 anybody know how that's going to work? You know, when
21 somebody elects to participate, they escrow the money for
22 the drilling costs or to participate. How does that
23 money get disbursed out of that escrow account to the
24 operator?

25 MR. MCGLATHLIN: The operator would have to come before the

1 Board and --

2 MR. MASON: I don't know. I mean, that's -- I don't --

3 MR. CHAIRMAN: If they elect to participate, they're not in it

4 -- I may not understand your question. If they elect to

5 participate, they're not escrowing money.

6 MR. MASON: They don't pay their share of the proportionate

7 share of the proposed drilling costs into escrow?

8 MS. MCCLANAHAN: Only if they're a conflicting claimant.

9 MR. MASON: Right.

10 MR. JONES: They would pay us as the operator.

11 MS. MCCLANAHAN: They would pay us.

12 MR. CHAIRMAN: Pay the operator.

13 MR. MASON: Right. Okay.

14 MR. CHAIRMAN: Is that what you're --

15 MR. MASON: No. I'm talking about if you've got -- huh? No,

16 I'm talking about on the conflicting claims. If you've

17 got a conflicting claim, the person that's involved in

18 that elects to participate. They pay that money into

19 escrow, do they not?

20 MS. MCCLANAHAN: That's right.

21 MR. MASON: How does that money get out of escrow and paid to

22 the operator? What triggers that?

23 MR. JONES: I guess the court order. The order when their

24 owner -- when this conflicting claim would be resolved.

25 MR. MASON: Okay. So, the operator, in effect -- I'm just

1 trying to work this out in my own mind. So, the operator
2 would basically have to front that cost and be reimbursed
3 only when the ownership issue is determined. Is that --
4 I'm just trying to get this straight in my mind as to how
5 that works.

6 MR. JONES: I think you're right.

7 MS. MCCLANAHAN: I think that's probably the way it will work.

8 Also, that's why it's not as advantageous in situations
9 where you have conflicting claims that operators would
10 want someone to participate.

11 MR. JONES: Of course, we want everybody to assert their legal
12 rights when they want to.

13 MR. MASON: Well, I understand that. I'm just trying to
14 figure out what's going to happen. You know, if you have
15 a major proportion -- if you had a large proportion in
16 one of these wells being disputed claims, in effect the
17 operator would have to front the cost of drilling the
18 well before he'd ever get paid out of escrow.

19 MR. JONES: Of course, that might be an incentive for the
20 operator to initiate that action to get a determination
21 of that conflicting claim, too.

22 MR. MASON: Okay. I just -- but that's your idea of how it
23 will work, also? Benny, does that comport with your
24 understanding of this? You're shaking your head.

25 MR. CHAIRMAN: No, I just -- I misunderstood initially what

1 you were -- the question you were asking. I missed the
2 conflicting claimant.

3 MR. MASON: Yeah, I didn't probably make it clear. But, I
4 mean, is that your understanding of that also?

5 MR. CHAIRMAN: I don't know that it is. I guess I would think
6 that whoever wants to participate, participates whether
7 they're conflicting or not. Then, it's all resolved once
8 the courts decide about the pay out.

9 MR. EVANS: It's on the record.

10 MR. CHAIRMAN: Yeah, that's the way I would see it. You know,
11 whether you're conflicting or not, if you're going to
12 participate, you're going to pay in to the share of the
13 well costs. Then, at the revenue side is where the
14 escrow disbursement and everything -- but I don't know.

15 MR. JONES: I guess the only problem is suppose there were
16 different conflicting owners, all of which decide to
17 participate, and the operator would be receiving,
18 perhaps, more than they are --

19 MR. CHAIRMAN: Yeah, that's probably why you've got to work it
20 the other way. I just hadn't thought it through in that
21 respect.

22 MR. MCGLOTHLIN: We'll cross that bridge one of these days,
23 Mr. Mason.

24 MR. MCCLANAHAN: For purposes of the order, though, I think
25 that probably in the big picture it would be easier to

1 approve the detailed well estimates as they're submitted.
2 If the operator wanted more money, they would have to
3 come back to the Board for approval of that. Otherwise,
4 that's what your participation is based upon.

5 MR. MCGLOTHLIN: I think that -- let me ask a question which
6 might help my concern. What's your projection on
7 drilling? How long until these are drilled?

8 MR. ALBERT: This year.

9 MR. MCGLOTHLIN: This year. Okay, for some reason I was
10 thinking of a longer plan and that bothered me to be that
11 far out.

12 MR. ALBERT: No, these are wells all proposed for this year.

13 MR. MCGLOTHLIN: I guess it's just the way we've been handling
14 them to this point. It suits me. Is that okay with you,
15 Mr. Mason.

16 MR. MASON: Uh huh.

17 MR. MCCLANAHAN: Okay. I'd like to call Mr. Morgan if the
18 Board doesn't have --

19
20
21 CLAUDE DALE MORGAN

22 a witness who, after having been previously sworn, was
23 examined and testified as follows:
24
25

DIRECT EXAMINATION

BY MS. MCCLANAHAN:

Q. Mr. Morgan, with regard to the costs that are listed on the DWE's that Randy Albert has described and submitted for the wells in the south longwall 7, how do you propose to allocate the costs among the owners in the units?

A. These four wells will be serving two different ones. One unit being SLW7, which is subject to this hearing. Also, a future sealed gob unit when the eight longwall units contained within our SLW5 to 12 unit application are sealed. We would propose that the cost of the four wells be proportioned to this unit application based upon a percentage determined by multiplying the cost -- excuse me -- by dividing the total production projected for this unit by the total production projected from the area serviced by these four wells. That total from this area being the sum of the production from this unit plus the production from this area in the sealed gob unit. That percentage would be multiplied times the cost of the four wells to get the total cost to be allocated to this unit on a mid acreage basis.

Q. Is that explained on Exhibit 4 as we've submitted it?

A. Yes, it is.

MS. MCCLANAHAN: I would move the introduction of Exhibit 4.

(PGP's Exhibit 4 received.)

Q. (Ms. McClanahan continues.) How did you arrive at or calculate the numbers for sealed gob, frack, and active gob gas production?

A. As based on historical production numbers from the numerous wells that we have -- for vertical ventilation holes that we have drilled in the Buchanan Number 1 mine area in similar geologic conditions. Based on, as I testified in the prior testimony, the average production numbers seen in those areas.

Q. For how many wells do you propose to charge the unit owners?

A. Four.

Q. How do you propose to charge unit owners for additional wells that may be drilled?

A. Any additional wells to be charged to the unit owners would have to come back -- we would have to come back before the Board. PGP would have to come back before the Board with the justification for those costs based on additional drainage and economics.

MS. MCCLANAHAN: I have no further questions for Mr. Morgan.

MR. CHAIRMAN: Any questions, Members of the Board? Mr. Morgan, how would you -- I know we dealt with this last time. This is an estimate based on your experience to date. How would this be adjusted according to actual

1 production of the unit?

2 MR. MORGAN: You're talking about how would your costs be
3 adjusted?

4 MR. CHAIRMAN: Yes.

5 MR. MORGAN: We would not propose a cost adjustment based on
6 the actual -- this is our best estimate of what will be
7 produced.

8 MR. CHAIRMAN: Other questions?

9 MS. MCCLANAHAN: If there are no other questions, we would
10 move that the Board pool the interests of all -- we would
11 move that the Board pool 11 interests in the south
12 longwall 7 unit.

13 MR. MCGLOTHLIN: So move, Mr. Chairman.

14 MR. EVANS: I might add that this is similar to the BLW6, that
15 the same stipulations that will be contained in the order
16 for BLW6 also be included in this as to wording changes
17 and anything else that was included.

18 MR. MCGLOTHLIN: That's fine.

19 MR. CHAIRMAN: Is that acceptable? We have a motion.
20 (AFTER A BRIEF DISCUSSION OFF THE RECORD, THE PROCEEDINGS
21 CONTINUED AS FOLLOWS.)

22 MR. CHAIRMAN: Okay, I have a motion.

23 MR. KELLY: Second.

24 MR. CHAIRMAN: A motion and a second. All in favor signify by
25 saying yes. Oppose say no. (Motion carries.) I would

ask you to prepare a proposed order for the Board's
consideration and submit it to us within twenty (20)
days, please.

1
2 ITEM 6
3

4 MR. CHAIRMAN: The next item on the agenda is Docket Number
5 VGOB-92/02/18-0186.

6 MR. COUNTS: Mr. Chairman, that's an application by Equitable
7 Resources, along with 6, 7 and 8 on the docket -- or
8 0186, 0187 and 0188 for location exceptions. For
9 expediency, as well as for the convenience of us all,
10 we're prepared to let them go ahead with their item 0190,
11 so they can wrap up all their presentations and then
12 we'll make our presentation before the Board with all of
13 you.

14 MR. CHAIRMAN: That's acceptable to us. Are you ready to go
15 ahead with it?

16 MS. MCCLANAHAN: Yes.

17 [AFTER A BRIEF DISCUSSION OFF THE RECORD, THE PROCEEDINGS
18 CONTINUED AS FOLLOWS:]

19 MS. MCCLANAHAN: We were just talking -- the Assistant AG, Mr.
20 Osborne -- we were supposed to call him when we were
21 about ready to have our hearing. We called him a few
22 minutes ago, but he's not here yet. Maybe we should
23 wait.

24 MR. JONES: We had assured him that -- he wanted to be for our
25 presentation of this unit, so --

1 MS. MCCLANAHAN: He didn't have any objections, but on the
2 other hand, he wanted to be here and he's driving from
3 Bristol so -- thanks anyway, Rick.

4 MR. CHAIRMAN: I want to straighten this docket number out.
5 It's 189 instead of 190. We'll take a five minute
6 recess.
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

1
2 ITEM 6
3

4 (AFTER A BRIEF RECESS, THE PROCEEDINGS HEARING CONTINUED
5 AS FOLLOWS:)

6 MR. CHAIRMAN: The next item on the agenda is Docket Number
7 VGOB-92/02/18-0106. Mr. Counts.

8 MR. COUNTS: Thank you, Mr. Chairman, Members of the Board.
9 We really have three applications which we'll be hearing
10 today before the Board. All of which involve location
11 exceptions consistent with the continuing effort to
12 develop oil and gas from those lands lying within the
13 boundaries of the U. S. Forest Service. As the Board
14 will recall, approximately a year ago we had several
15 other location exceptions -- probably in the neighborhood
16 of approximately a dozen -- which were approved by the
17 Board as a result of those locations having been sub-
18 mitted as being consistent with the environmental impact
19 statement prepared by the U. S. Forest Service.
20 These wells that we will be discussing today were all
21 previously submitted by ANR and, in fact, are under
22 existing permits at these specific locations in order to
23 be consistent with that environmental impact statement
24 and the subsequent environmental analysis that was
25 performed. The Board has previously heard testimony from

1 Mr. Jim McIntyre from the United States Forest Service.
2 We would respectfully request that that testimony be
3 incorporated into this proceeding with regard to the
4 environmental impact statement and the environmental
5 assessment. Equitable is now seeking to transfer the
6 operating rights as a result of its acquisition of AMR's
7 properties. DME has recently held that while these
8 permits are transferrable, that such transfers must be
9 consistent with the existing Virginia Gas and Oil Act.
10 Of course, Section 361.17 is now controlling that section
11 with regard to statewide spacing -- was not at the 1320
12 foot radius as of date of the environmental impact
13 statement when it was performed. The testimony will
14 indicate that the environmental impact statement con-
15 sidered topography, conservation practices, the monitor-
16 ing of waters to protect endangered species and stream
17 beds, impact upon wildlife habitat, et cetera. But also,
18 I would like to stipulate or indicate for the Board that,
19 of course, in the location exception situations the
20 primary considerations are whether or not there would be
21 waste and whether or not such location exception will
22 prevent waste and whether or not correlative rights will
23 be impacted. I'd like to indicate to the Board that
24 there is common ownership, not only underlying the well
25 for which the location exceptions are sought, but also

1 those wells to which it constitutes a location exception,
2 Otherwise we'll refer to, for simplicity's sake, as
3 reciprocal wells. I'd like to call as my first witness,
4 Mr. Lee Talbot with Equitable Resources.

5
6
7 LEE TALBOT

8 a witness who, after having been duly sworn, was examined and
9 testified as follows:

10
11 DIRECT EXAMINATION

12
13 BY MR. COUNTS:

14 Q. Mr. Talbot, who are you employed by and in what capacity?

15 A. The Land Administrator for Equitable Resources Explora-
16 tion.

17 Q. Have your qualifications as an expert witness previously
18 been accepted by this Board?

19 A. They have.

20 MR. COUNTS: Mr. Wampler, I would move that Mr. Talbot's
21 testimony be accepted by the Board as an expert witness
22 with regard to land related matters.

23 Q. (Mr. Counts continues.) Mr. Talbot, your responsibilit-
24 ies include the lands involved here and the surrounding
25 area?

1 A. Yes.

2 Q. Are you familiar with the application for location
3 exceptions to Well V-23397

4 A. I am.

5 MR. COUNTS: Mr. Chairman, I would like to now move to
6 introduce Exhibit A, which is with respect to the
7 location exception hearing on V-2339.

8 (Equitable Resources Exhibit A received.)

9 MR. COUNTS: Since we have two topographic maps, the one with
10 the singular yellow dot in the middle is the plat for
11 this particular location exception.

12 Q. (Mr. Counts continues.) Mr. Talbot, have you made any
13 modifications to the well plat which was sent out with
14 regard to the initial application?

15 A. Yes.

16 Q. On the initial plat which went out, was Well 2324 to the
17 southwest of this well erroneously identified as ANR Well
18 109247

19 A. Yes, it was.

20 Q. Should this have been Well 109427

21 A. Yes, it should have.

22 Q. In addition, on the original plate, proposed Well V-2323
23 was indicated which is 2,184 feet to the northwest was
24 not shown, is that correct?

25 A. That's correct.

1 Q. Was a corrected plat, along with a new application,
2 submitted to the DME and mailed by certified mail to all
3 parties entitled to notification?
4 A. Yes, they were.
5 Q. Was this corrected plat and notice of hearing mailed on
6 January 23 of this year?
7 A. That's correct.
8 Q. Would you indicate for the Board the ownership of the oil
9 and gas underlying Well 2339?
10 A. PVRC Tract 755 and Tract 749, being Penn Virginia
11 Resource Corporation.
12 Q. Does Equitable Resources operate an oil and gas lease
13 taken from Penn Virginia Resources Corporation?
14 A. They do.
15 Q. Mr. Talbot, are there any locations available to Equit-
16 able within 2,000 feet of proposed Well 2339 which would
17 not require a location exception?
18 A. No.
19 Q. Is this location exception dictated by the surrounding
20 wells including those on U. S. Forest Service property
21 which were located consistent with the environmental
22 impact statement?
23 A. Yes, they are.
24 Q. Is it your professional opinion that this well location
25 exception is required by environmental constraints,

1 effective land management practices, and the U. S. Forest
2 Service Environmental Impact Statement?

3 A. Uh-huh. Yes.

4 MR. COUNTS: Mr. Chairman, I have no further questions of this
5 witness.

6 MR. CHAIRMAN: Any questions, Members of the Board.

7 MR. MCGLOTHLIN: Mr. Chairman.

8 MR. CHAIRMAN: Mr. McGlothlin.

9 MR. MCGLOTHLIN: Your map that I have before me, what side is
10 in the National Forest -- is all of this National Forest
11 property or --

12 MR. TALBOT: No, sir, your left side with the blue on the
13 inside of the property line is Forest Service property.

14 MR. MCGLOTHLIN: Okay. So this is not in the National Forest?

15 MR. TALBOT: No, sir, that's correct.

16 MR. MCGLOTHLIN: You're asking for exceptions from WS-47 and
17 WS-262?

18 MR. TALBOT: Yes, sir.

19 MR. COUNTS: Mr. McGlothlin, the WS-47, WS-262, WS-272 -- the
20 47 well to the northeast and the 262 well directly to the
21 east are both existing gas wells. 272 to the south --
22 immediately to the south -- is a well which is located
23 consistent with the Environmental Impact Statement. Well
24 293, to the northwest of 2339, is also on Forest Service
25 property which is located consistent with the Environ-

1 mental impact statement.

2 MR. MCGLOTHLIN: Have those wells been drilled yet?

3 MR. TALBOT: No.

4 MR. COUNTS: 293 and 2324 have not been drilled as of yet.

5 Any move of this well to get away from the existing wells
6 to the east would require a move in excess of 2,000 feet
7 in order not to require a location exception. As a
8 result, our position is, would result in drainage -- or
9 excuse me -- waste to the oil and gas left within that
10 area. In other words, although this is not on Forest
11 Service property, effectively, because of the existing
12 well because of the Environmental Impact Statement, we
13 are dictated with regard to our location.

14 MR. MCGLOTHLIN: Mr. Fulmer, on WS-272 and WS-293, have the
15 permits been --

16 MR. FULMER: No, they have been issued but -- they are issued,
17 yeah.

18 MR. MCGLOTHLIN: They are issued.

19 MR. FULMER: Not to EREX.

20 MR. CHAIRMAN: They've applied for a transfer permit, right.

21 MR. FULMER: Yeah. Right.

22 MR. COUNTS: In fact, to make it perfectly clear, the well for
23 which the location exception is requested would be 2329.
24 That permit has also been issued but, again, in order to
25 request the transfer, we're now having to go with the

1 current Virginia Gas and Oil Act under 361-17. That's
2 why this hearing is necessary.

3 MR. MASON: You're saying -- excuse me -- that this exception
4 request is a part of that transferred process?

5 MR. COUNTS: That's correct. This location has previously
6 been permitted and approved. That will be the situation
7 with all three location exceptions today before the
8 Board.

9 MR. MASON: Mr. Chairman.

10 MR. CHAIRMAN: Mr. Mason.

11 MR. MASON: Does this have any effect upon the permitting of
12 272 and 293?

13 MR. COUNTS: Those wells would be -- excuse me, you addressed
14 that to the Chairman.

15 MR. MASON: No, I asked him if I could ask you.

16 MR. COUNTS: Okay. I'm sorry. I didn't hear the last part of
17 that, Mr. Mason. Those wells would be reciprocal wells
18 to this location exception well. That always comes down
19 as to what is your location exception well and what are
20 your reciprocal wells.

21 MR. MASON: Okay, so what you're saying, in effect, is by
22 granting the exception to this well, we are, in effect,
23 approving the transfer of the permits on these two wells
24 here as well.

25 MR. COUNTS: Effectively, that's the case, yes, sir. These

1 first two, 293 and 272, as soon as they're approved --
2 the transfer is approved -- then those two wells stand on
3 their own. Then to the extent of 261 -- then becomes a
4 location exception well. It's really a question of which
5 well you want to be a location exception well.

6 MR. HASON: Oh, I understand that.

7 MR. MCGLOTHLIN: Mr. Chairman.

8 MR. CHAIRMAN: Mr. McGlothlin.

9 MR. MCGLOTHLIN: Mr. Counts, refresh my memory. Did we see
10 these -- WS-293 and WS-272 -- have those come before the
11 Board previously on --

12 MR. COUNTS: No, sir, not to my recollection. I believe these
13 wells are considerably to the west of the wells which
14 were previously before the Board last year.

15 MR. MCGLOTHLIN: Thank you, Mr. Chairman.

16 MR. CHAIRMAN: Other questions? What's your pleasure?

17 MR. COUNTS: I have one additional witness, Mr. Chairman.
18
19

20 BOB DAHLIN

21 a witness who, after having been duly sworn, was examined and
22 testified as follows:
23
24
25

DIRECT EXAMINATION

BY MR. COUNTS:

Q. Mr. Dahlin, would you indicate your employment and your job capacity?

A. I'm an operation specialist geologist with EREX in Kingsport, Tennessee.

Q. Would you indicate your professional background?

A. I have 17 years experience in Appalachian Basin --

Q. As?

A. A geologist.

Q. Has your testimony as an expert witness previously been accepted before this Board?

A. It has.

MR. COUNTS: Mr. Chairman, I would move that this Board approve Mr. Dahlin as an expert witness in this area.

MR. CHAIRMAN: Okay.

Q. (Mr. Counts continues.) Mr. Dahlin, was it necessary, in your opinion, to locate Well V-2329 at this location in order to prevent waste?

A. Yes, sir, it was.

Q. Would you explain it for the Board, please?

A. The existence of previously drilled wells and, to the west, the approval of the Forest Service at location WB-272 and location 293 -- are currently being drilled.

1 Q. In the event this location exception was not drilled, can
2 you project the estimated loss of reserves?

3 A. In this area, we would expect in the range of 400 to 780
4 cubic foot per location.

5 Q. Mr. Dahlin, should all formations from the surface of the
6 ground to total depth be covered by any order issued by
7 the Board?

8 A. Yes, it should.

9 Q. In your opinion, would granting this location exception
10 be in the best interest of prevention of a waste and
11 maximizing recovery of the gas reserves underlying this
12 tract?

13 A. Yes, sir, it would.

14 MR. COUNTS: Mr. Chairman, your witness.

15 MR. CHAIRMAN: Questions?

16 MR. MCGLOTHLIN: Mr. Chairman.

17 MR. CHAIRMAN: Mr. McGlothlin.

18 MR. MCGLOTHLIN: I have a question to somebody. I don't
19 recall the -- I recall the Environmental Impact Statement
20 and it basically dealt with the wells that we approved
21 last year. I haven't seen any evidence as to the
22 locations of WS-272 and WS-293.

23 MR. COUNTS: The Environmental Impact Statement, which was
24 previously submitted to the Board in its final form, did
25 indicate or did provide for locations for those exact

1 wells. As I indicated, that's the reason why that they
2 were submitted consistent with -- approved by ANR. ANR
3 had to submit those, initially, to the coal owner, which
4 is Penn Virginia Resources. Then, they were submitted to
5 the Forest Service for approval as being consistent with
6 the Environmental Impact Statement and are, in fact,
7 listed on the Environmental Impact Statement which was
8 provided to the Board. We're not trying to change
9 locations on you, Mr. McGlothlin, this is consistent with
10 those approved by the Environmental Impact Statement.

11 MR. MCGLOTHLIN: I wish you had brought a copy of it, Mr.
12 Counts.

13 MR. COUNTS: I apologize, sir. We do have a copy.

14 MR. MCGLOTHLIN: Excuse me. Mr. Fulmer, can you recollect
15 that being as part of the environmental study?

16 MR. FULMER: All the wells that you see here are included in
17 an Environmental Impact Statement prior to ANR submitting
18 any applications to the state in regards to the National
19 Forest up there. These are just to the west end -- which
20 what we originally looked at was the east end in the
21 previous -- last spring. That was the east end. The
22 west end had been approved two years prior to the east
23 end. So they extended the east end as part and they had
24 to submit a new EIS to recollect another 50 some odd
25 wells to the east. This was previously approved in the

1 original EIS two years before. Actually, Mr. Kelly can
2 answer better than I can on that. At the time when that
3 was done, he was more familiar with it.

4 MR. COUNTS: Mr. Chairman, I will submit, at this time,
5 another copy of the Environmental Impact Statement and
6 request that that be marked as Exhibit B.

7 (Equitable Resources Exhibit B received.)

8 MR. CHAIRMAN: Kevin, do you want look at that?

9 MR. MCGLOTHLIN: I just wanted it to be part of the record.

10 MR. FULMER: Do you want to look at it?

11 MR. CHAIRMAN: He just wanted it to be part of the record.

12 MR. TALBOT: There is a more formal copy on file. That's my
13 working copy, but I guess --

14 MR. MCGLOTHLIN: That's fine. I would even stipulate, if you
15 like, to -- if you'd like to bring that in and ask that
16 the one that we have on file be a part of this.

17 MR. COUNTS: Actually, I intended to ask that as I opened up.
18 If I didn't, I apologize.

19 MR. MCGLOTHLIN: You might have. I might have missed it.

20 MR. COUNTS: We request that the Environmental Impact State-
21 ment and the Environmental Assessment previously sub-
22 mitted to the Board, along with the appropriate set, as
23 being incorporated into this hearing. Other questions
24 for Mr. -- let's see, I've got some more questions -- no,
25 I finished all my questions.

1 MR. CHAIRMAN: You finished your --

2 MR. MASON: Mr. Chairman, I move the adoption or approval of
3 the exception.

4 MR. KELLY: Second.

5 MR. MCGLOTHLIN: I'd like to amend that. Approval of the
6 exception referring to the reasoning being the study --
7 The Environmental Study -- to the adjacent Jefferson
8 National Forest.

9 MR. MASON: Okay, let me restate this. I move the approval of
10 the exception requested of the spacing rules based upon
11 the fact that this exception is necessary due to the
12 locations dictated by the Environmental Impact Statement.
13 Is that okay?

14 MR. KELLY: Second.

15 MR. CHAIRMAN: A motion and a second. All in favor signify by
16 saying yes. Oppose say no. (Motion carries.)

17 MR. FULMER: Mr. Chairman, as a part of clarity on my part,
18 will that grant exceptions to the other wells, par-
19 ticularly 10916 and 109427

20 MR. COUNTS: Mr. Chairman, it's my understanding that the
21 application as submitted would provide that Well 2339
22 would be approved as a location exception to Wells WS-
23 293, WS-47, WS-262 and WS-217. Excuse me, I said 262.
24 That was an error. That well is already at a legal
25 location. That was the relief requested in the applica-

1 tion.

2 MR. KELLY: I guess the question is are they --

3 MR. FULMER: Yes, that's the question.

4 MR. HASON: Okay. Well, it was my intent that my motion allow
5 them to be receptive.

6 MR. FULMER: Just for my own clarity. I've got something else
7 in mind.

8 MR. CHAIRMAN: Okay. We'll ask you to prepare an order that
9 will request --

10 MR. COUNTS: Yes, sir. I'd also like to make one other
11 comment, Mr. Chairman. I appreciate the Board's approval
12 of that. But to address Mr. Dahlin's comment, that is,
13 we certainly appreciate the Board's approval of this with
14 respect to the location exception. But I would like to
15 indicate that they're going to be a number of situations
16 which will be compelling with regard to requiring
17 location exceptions to be approved by this Board other
18 than those simply where the U. S. Forest Service and
19 Environmental Impact Statements are included. Again, we
20 feel like that the primary issue here is waste. Obvious-
21 ly, our drilling efforts are dictated in large measure
22 due to the constraints placed upon us by the Environ-
23 mental Impact Statement. Mr. Chairman, if it would
24 please the Board --

25 MR. FULMER: Is there an Exhibit A?

1 MR. COUNTS: Yes.

2 MR. FULMER: Is that one of these maps?

3 MR. COUNTS: One of the large maps, yes, sir.

4 MR. CHAIRMAN: Are you ready to go onto the next item?

5 MR. COUNTS: Yes, sir, I am.
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

ITEM 7 & 8

MR. CHAIRMAN: The next item is Docket Number VGOB-92/02/18-0187. Mr. Counts.

MR. COUNTS: Thank you, Mr. Chairman. Mr. Chair, if it would please the Board, both items 0187 and 0188 are both wells which are on U. S. Forest Service property. They are being drilled -- the location exceptions are being requested as being consistent with the Environmental Impact Statement. Both those wells are shown on the exhibit in front of the Board which I would now request be marked as Exhibit A. Therefore, I would request that if it's the Board's pleasure, we would be allowed to combine those at this point with regard to efficiency in this hearing. In fact, they end up being location exceptions to each other so they're directly inter-related.

MR. CHAIRMAN: Just as long as we keep the record straight on what we're doing. If we have any problem --

MR. COUNTS: I'll do my absolute best, sir.

MR. CHAIRMAN: We'll try it.

MR. MASON: Let me just -- I understand that they're exceptions to each other. Are they also exceptions to any other wells?

1 MR. COUNTS: Yes, sir, that's correct.

2 MR. MASON: Are the wells that they are individually excep-
3 tions to the same?

4 MR. COUNTS: No, sir, not in both cases.

5 MR. MASON: So, in fact, the exceptions being requested are
6 not identical.

7 MR. COUNTS: That is correct. Let me -- one second, let me
8 stand corrected. Mr. Mason, I withdraw that. The
9 exceptions to each of the reciprocal wells, as well as
10 the location exception wells all involve the same wells
11 and are, in fact, exceptions.

12 MR. MASON: So they are, in fact, identical?

13 MR. COUNTS: That's correct, yes.

14 MR. KELLY: Which is the well to the north unit.

15 MR. MASON: Yeah, that's that WS-245 and each other, is
16 basically --

17 MR. COUNTS: That's correct. Effectively, in this situation,
18 Mr. Mason, what we have are two wells which would be
19 location exceptions to an existing well.

20 MR. MASON: And each other.

21 MR. COUNTS: And each other. The existing well being WS-245.

22 MR. CHAIRMAN: Okay, we'll proceed with both those docket
23 numbers.

24 MR. COUNTS: Thank you, Mr. Chairman. I'd like to call again
25 Mr. Talbot. I'll remind the witness he's previously been

1 sworn before the Board.
2
3

4 LEE TALBOT

5 a witness who, after having previously been duly sworn, was
6 examined and testified as follows:
7

8 DIRECT EXAMINATION
9

10 BY MR. COUNTS:

11 Q. Mr. Talbot, are you familiar with the application for the
12 location exception requested on V-2326 and V-23427

13 A. I am.

14 Q. Have all interested parties been noticed as required by
15 Section 4(b) of the Virginia Gas and Oil Board regula-
16 tions?

17 A. They have.

18 Q. Who owns the surface underlying these locations?

19 A. The surface is owned by the United States Forest Service.

20 Q. Would you indicate for the Board the ownership of the oil
21 and gas underlying Wells V-2326 and V-23427

22 A. The oil and gas ownership is owned by Penn Virginia
23 Resources and various tracts designated T at 1601, T at
24 1605, and an Ellis Hopkins who is also under lease to
25 Equitable Resources Exploration.

1 Q. Therefore, with regard to the working interest underlying
2 these wells, each of these wells is common with respect
3 to the working interest of each other to all of the wells
4 involved?
5 A. Yes, sir.
6 Q. Does Equitable also have the right to operate or have
7 applied for a transfer of a permit to operate each of
8 these wells involved in this proceeding?
9 A. We're presently in a process. The right to operate was
10 granted to ANR or through the first original permit.
11 EREX is in the process, through this hearing, of request-
12 ing transfer of existing permits.
13 Q. There was an Environmental Impact Statement conducted on
14 the Forest Service property where both of these wells
15 were located?
16 A. Yes, sir.
17 Q. Was the decision notice dated on this February 24, 1988?
18 A. It was.
19 Q. With respect to each individual well site, what factors
20 did the United States Forest Service consider?
21 A. The factors considered by the United States Forest
22 Service, through the process of preliminary plans, issued
23 the draft of Environmental Impact Statements, final
24 revisions and input from various other organizations such
25 as the U. S. Fish and Wildlife, Tennessee Valley Author-

1 ity and the United States Forest Service, along with
2 public comments. In light of these public comments and
3 received and many of its objectives by the United States
4 Forest Service, the rationale for these decisions used
5 were final placement of the wells with the following: To
6 provide reasonable access to other privately owned
7 mineral rights within the area. To protect threatened
8 and endangered species such as the endangered mussels of
9 the Clinch River and the rare green Salamanders and other
10 sensitive aquatic plants within the area.

11 Q. Is it fair to say, Mr. Talbot, that the Forest Service
12 considered those types of environmental considerations
13 which we've heard to previous testimony before the Board
14 today, are contained within that Environmental Impact
15 Statement?

16 A. Yes, they are.

17 Q. Since these wells have both previously been permitted,
18 have both locations been approved by the Forest Service
19 through its Environmental Impact Statement?

20 A. Yes, it has.

21 Q. Mr. Talbot, in your professional opinion, is this
22 location exception necessary in order to comply with the
23 plan of development approved by the EIS and subsequent
24 environmental analysis assessment?

25 A. Yes, sir.

1 Q. Is it your professional opinion this well location
2 exception is required by environmental constraints and
3 effective land management practices?

4 A. It is.

5 MR. COUNTS: I have no further questions of this witness, Mr.
6 Chairman.

7 MR. CHAIRMAN: Questions, Members of the Board? Okay. Call
8 your next witness.

9 MR. COUNTS: I call Mr. Dahlin. Mr. Dahlin, I'll remind you
10 that you've previously been sworn.

11
12
13 BOB DAHLIN

14 a witness who, after having been previously duly sworn, was
15 examined and testified as follows:

16
17 DIRECT EXAMINATION

18
19 BY MR. COUNTS:

20 Q. Mr. Dahlin, in the event this location exception well is
21 not drilled, is it your opinion that waste will result?

22 A. Yes, sir.

23 Q. Can you project the estimated loss of reserves?

24 A. In this section of the field, we estimate on the low
25 estimate as 200 million cubic foot and possibly as high

1 as 500 million cubic foot.

2 Q. Once again, should all formations from the surface of the
3 ground to the total depth drilled be covered by an order
4 issued by the Board?

5 A. Yes, sir.

6 Q. In your professional opinion, is there any other feasible
7 location which will allow both of these wells to be
8 drilled without requiring location exceptions?

9 A. No, sir.

10 Q. In your opinion, will the granting of this location
11 exception be in the best interest of preventing waste and
12 maximizing of gas reserves underlying T-1601?

13 A. Yes, sir, it would.

14 Q. Further, do you request that each well be made reciprocal
15 wells to each other in addition to Well WS-2437?

16 A. Yes, sir. We would.

17 MR. COUNTS: I have no further questions, Mr. Chairman.

18 MR. CHAIRMAN: Questions, Members of the Board?

19 MR. EVANS: Yes, I do have one question real quick.

20 MR. CHAIRMAN: Mr. Evans.

21 MR. EVANS: As far as distances, I see where you've got
22 distances to go to WS-259, again to WS-288. How far away
23 is WS-298 from the proposed WS-278?

24 MR. DAHLIN: I don't have that distance. These are fairly
25 accurate reproductions. I could scale it off -- I don't

1 have a tie in to that point right here.

2 MR. COUNTS: If I understand your question correctly, Mr.

3 Evans, what's the distance from WS-249 to WS-2987

4 MR. EVANS: 278 to 298.

5 MR. COUNTS: 278 to 298?

6 MR. EVANS: Uh-huh.

7 MR. DAHLIN: It would be approximately 2,650 feet.

8 MR. EVANS: Thank you.

9 MR. DAHLIN: It is a legal location to further qualify that

10 measure.

11 MR. EVANS: That's all I was interested -- I noticed that you

12 put the numbers down for other legal locations and I

13 looked at that and I said, okay, just ask him because I

14 don't have a scale with me.

15 MR. DAHLIN: I understand.

16 MR. COUNTS: Mr. Evans, I might indicate that right now we're

17 requesting permit transfers for some 52 permits previous-

18 ly permitted in the name of ANR. There will be addition-

19 al permits that we'll be requesting location exceptions

20 for which we'll fall upon U. S. Forest Service acreage.

21 So this is what you're getting to down here --

22 MR. CHAIRMAN: Do you know which of these wells was the old

23 2050 well?

24 MR. COUNTS: Mr. Chairman, at this point in time I've heard

25 these wells called so many different numbers that I

1 haven't the foggiest idea. But I hope that somebody here
2 will remember.

3 MR. CHAIRMAN: We're trying to determine if there's a well not
4 located on your map.

5 MR. DAHLIN: There's a WB-6A that's a dry hole that's indicat-
6 ed between -- it's not on the Forest Service. It's
7 between the two Forest Service parcels.

8 MR. CHAIRMAN: Mr. Fulmer, are you aware of any other permit
9 that's been issued for a well in this area not shown on
10 this map -- not shown on this exhibit. Has this exhibit
11 been named?

12 MR. COUNTS: Yes, sir, Exhibit A.

13 MR. FULMER: There's still an active permit, Mr. Chairman, on
14 2250, that's never been cancelled. It's a permit by
15 Columbia Gas. It's still active as far as our files go.

16 MR. COUNTS: What's the location of that well, Mr. Fulmer?

17 MR. FULMER: It's above the branch -- what is it -- Barn's
18 Branch?

19 MR. KELLY: Ramey Branch.

20 MR. FULMER: Brady Branch.

21 MR. KELLY: Northeast of the (inaudible) Branch.

22 MR. FULMER: It never was drilled. It was permitted, but
23 never was drilled.

24 MR. TALBOT: It's an existing permit that will expire July of
25 '92, then, is that correct?

1 MR. FULMER: No.

2 MR. EVANS: No, those were previous permits that had a -- that
3 question hasn't come up yet.

4 MR. CHAIRMAN: The question is approximate distance -- are
5 they within the exception distance? It appears that they
6 would be. That would affect both of these, wouldn't it?

7 MR. TALBOT: Do you have the number for it, Tom? Permit
8 number?

9 MR. FULMER: It's WS-38. It's 2250 -- I can't remember what
10 the permit number is. I don't have my book with me.

11 MR. KELLY: It would have been permitted back in the late
12 '70's.

13 MR. FULMER: Yeah. Uh-huh.

14 MR. COUNTS: Mr. Chairman, I may have a solution that I would
15 suggest to the Board. Obviously, first off, none of us
16 were aware of this. Secondly, obviously, that's not a
17 permit that Equitable, first off, is seeking to have
18 transferred or, number two, intends to drill under. So
19 what I would request is that we would amend our relief
20 requested to -- I'll request that the Board, by its
21 action in granting these location exceptions, cancel the
22 existing permit if it is, in fact, still existing on this
23 well which was permitted in the name of Columbia.
24 Columbia has no interest here in this lease and does not
25 have the right to drill.

1 MR. CHAIRMAN: I'd be concerned about doing that and then not
2 present and having the ability to address the Board.

3 MR. COUNTS: Can we make it subject to their withdrawal of
4 that permit?

5 MR. CHAIRMAN: As long as the Board is not ordering them to
6 withdraw. As long as we word it so that it's up to them
7 to make a decision and they're willing to do that. I
8 don't see that it does any harm, do you?

9 MR. MCGLOTHLIN: That or continue it for 30 days.

10 MR. COUNTS: I would like to clarify that further with regard
11 to -- I'm not sure whether that would actually be a
12 location exception -- whether or not it would be within a
13 2,640 foot distance of WS-249 or just WS-278. From what
14 I'm hearing, probably just WS-278.

15 MR. KELLY: It's hard to tell --

16 MR. COUNTS: Or do we have any --

17 MR. KELLY: Mr. Chairman.

18 MR. CHAIRMAN: Mr. Kelly.

19 MR. KELLY: Do you know that that was never transferred over
20 to either Wise Oil and Gas or to ANR?

21 MR. COUNTS: To the extent, then, that that existing permit
22 would constitute a well located within a distance of
23 2,640 feet from either WS-249 or WS-278, we would then
24 request that this relief requested be conditioned upon
25 receiving a letter from Columbia canceling that permit,

1 i.e., in the event that that well was not within 2,640
2 feet of WS-249, WS-249 location exception would not be
3 conditioned upon receiving that letter.

4 MR. FULMER: Both of them are within -- both locations -- 249
5 and 278 are both within 2,250 --

6 MR. COUNTS: They're 2,640 for sure. Okay. Withdrawn on
7 that. We'll go back to the original request which was
8 that these location exceptions be granted conditioned
9 upon receiving a letter from Columbia Natural Resources
10 withdrawing or cancelling the permit on WS-38.

11 MR. CHAIRMAN: Any further questions, Members of the Board?

12 MR. MCGLOTHLIN: Does Columbia have the permit? Is it in
13 Columbia's name or any --

14 MR. FULMER: It's in Columbia's name.

15 MR. MCGLOTHLIN: I was just protecting you by whoever has it
16 -- instead of stipulating one.

17 MR. COUNTS: Like I said, this is a phantom permit we weren't
18 aware of here today.

19 MR. CHAIRMAN: What time limit would you suggest that would be
20 a reasonable time?

21 MR. COUNTS: Well, normally I would request 30 days or
22 something of that nature. Right now, quite honestly, as
23 a result of Columbia's status in bankruptcy right now,
24 I'm not sure how that would impact it. So I think I
25 would request a period of time of at least 120 days just

1 in the event that that might have some impact upon it.
2 MR. CHAIRMAN: Other questions. Do you have further --
3 MR. COUNTS: No, sir.
4 MR. CHAIRMAN: What's your pleasure, Board?
5 MR. MCGLOTHLIN: I move we accept the amended location
6 exception based on the National Forest Environmental
7 Impact Statement.
8 MR. HASON: Second.
9 MR. EVANS: I would also add to that, that it's conditioned
10 upon withdrawal as so stated -- the Columbia permit.
11 MR. HASON: Within 120 days.
12 MR. EVANS: Within 120 days.
13 MR. CHAIRMAN: Okay, a motion --
14 MR. HASON: I second.
15 MR. CHAIRMAN: All in favor signify by saying yes. Oppose say
16 no. (Motion carries.) We'll ask you to prepare an
17 order.
18 MR. COUNTS: Thank you, Mr. Chairman, Members of the Board.
19 Again, we apologize for the confusion. We were not aware
20 of the existence of this permit.
21 MR. CHAIRMAN: We'll take a five minute recess.
22
23
24
25

1
2 ITEM 9
3

4 (AFTER A BRIEF RECESS, THE PROCEEDINGS CONTINUED AS
5 FOLLOWS:)

6 MR. CHAIRMAN: The next item on today's agenda is Docket
7 Number VGOB-92/02/18-0190.

8 MS. MCCLANAHAN: The first witness I'd like to call is Les
9 Arrington. I assume that the Board will accept the
10 qualifications of --

11 MR. CHAIRMAN: We'll stipulate the qualifications and remind
12 him that he's under oath.

13 MS. MCCLANAHAN: And that's true for Mr. Albert, Gillenwater
14 and Morgan, is that correct?

15 MR. CHAIRMAN: Yes.

16 MS. MCCLANAHAN: Okay.
17

18 LESLEY K. ARRINGTON

19 a witness who, after having been previously duly sworn, was
20 examined and testified as follows:

21
22 DIRECT EXAMINATION
23

24 BY MS. MCCLANAHAN:

25 Q. Mr. Arrington, have you given notices required by

1 Virginia Code Section 45.1-361.19 to each person or
2 entity identified on Exhibit C of the forced pooling
3 application as a potential owner of the methane gas
4 underlying the unit?

5 A. Yes, we have. That's Exhibit Number 1.

6 MS. MCCLANAHAN: I move the introduction of Exhibit 1, the
7 notice of hearing.

8 [PGP's Exhibit 1 received.]

9 Q. (Ms. McClanahan continues.) Was this notice of hearing
10 mailed to the parties listed on Exhibit C by certified
11 mail?

12 A. Yes, it was.

13 Q. Do you have the return receipts?

14 A. Yes, and copy of which is Exhibit 2.

15 MS. MCCLANAHAN: I would move the introduction of Exhibit 2.

16 [PGP's Exhibit 2 received.]

17 Q. (Ms. McClanahan continues.) With regard to Exhibit 3,
18 that is the amended application page and amended Exhibits
19 C, D and E, is that correct?

20 A. Yes, it is.

21 Q. Could you explain why those exhibits have been amended?

22 A. There has been additional parties acquired since the
23 filing.

24 Q. Has there been additional parties acquired since we
25 prepared this Exhibit 3?

1 A. Yes, it has. If you'll refer to Exhibit D.
2 Q. Okay, the parties that you're about to list -- those are
3 parties on Exhibit D that are listed as unleased who are
4 now leased or acquired and needs to be removed from the
5 forced pooling, is that correct,
6 A. Yes, it is.
7 Q. Okay, would you please list those parties to the Board?
8 A. Okay, under oil and gas fee ownership -- number 4,
9 Pepsico of Norton.
10 Q. Are there any others?
11 A. No, that's all.
12 Q. So Exhibit J, as it's been amended with the exception of
13 Pepsico, shows Exhibit C all potential owners of coal bed
14 methane gas. Exhibit D shows all the parties that are
15 unleased or unassigned and Exhibit E shows all the
16 conflicting claimants that are to be escrowed, is that
17 correct?
18 A. No, in this application -- this is a previous applica-
19 tion. We had no Exhibit E.
20 Q. Okay, so there isn't any -- the conflicting claimants are
21 instead included on Exhibit C?
22 A. Yes.
23 Q. Have you filed permits to convert the vertical ventila-
24 tion holes within the northeast longwall 10?
25 A. Yes.

1 Q. How many permits have you filed for the northeast
2 longwall 107
3 A. We have filed two permits. Hole VVN 70 and 71.
4 Q. Just to get everything straight for understanding
5 purposes, there are also two additional wells that are
6 not shown on the application as it was submitted, is that
7 correct?
8 A. That's correct.
9 Q. Those are well numbers --
10 A. 68 and 69.
11 Q. Are those shown on the map that is at Exhibit 77
12 A. No, they are not. They were on the previous application.
13 Q. Can you explain where the locations of 68 and 69 would be
14 on Exhibit B1?
15 A. Yes, ma'am. 68 would be located just approximately where
16 you'll see tract symbol number 44 in northeast 10. Well
17 Number 69 will be located just approximately a quarter of
18 an inch east of the tract number 46.
19 MS. MCCLANAHAN: We move the introduction of Exhibit 7 as its
20 just been amended with location 68 and 69.
21 (POP's Exhibit 7 received.)
22 Q. (Ms. McClanahan continues.) Were permits submitted for
23 Well Number 68 and 69 previously?
24 A. Yes, they were.
25 Q. Those permits have not yet been issued, though, is that

1 correct?

2 A. No, those permit applications were withdrawn and will be
3 refilled shortly.

4 Q. The reason that those were withdrawn was because objec-
5 tions have been filed by the coal owners, is that
6 correct?

7 A. Yes, Tiller and above coal operator.

8 Q. However, you have reached an agreement with that party at
9 this time, is that right?

10 A. Yes, we have.

11 Q. Were any objections to the permit applications for 70 and
12 71 filed?

13 A. No, they were not.

14 Q. Has the drilling permit been previously refused to PGP on
15 any of the tracts that make up this unit?

16 A. No.

17 Q. Could you explain what percentage of the coal rights in
18 the tracts that comprise the northeast longwall 10, the
19 Pocahontas Gas Partnership has leased to date?

20 A. Yes, we have 49.6049 percent of the Pocahontas Number 3
21 seam and 49.5768 percent of all coal below the Tiller
22 seam, less the P3.

23 Q. What percentage of the oil and gas rights in the tracts
24 that comprise the northeast longwall 10 does PGP control?

25 A. 47.102.

1 Q. Which is it the oil and gas percentage or the coal
2 percentage -- would either of those change as a result of
3 acquiring Pepsico's interest?
4 A. The oil and gas percentage will change.
5 Q. That would be higher than 47.102, is that correct?
6 A. Yes.
7 Q. Have you obtained coal bed methane gas leases on any
8 portion of the acreage within northeast longwall 10?
9 A. Yes, we have.
10 Q. What percentage?
11 A. 51.0087 percent.
12 Q. That would also increase as a result of Pepsico's lease?
13 A. No.
14 Q. It's only in oil and gas leases.
15 A. Only oil and gas.
16 Q. Are the unleased owners and the lease hold owners and
17 mineral owners that are leased to other parties who will
18 be pooled proper as listed Exhibit D of Exhibit 3 as
19 you've amended them earlier?
20 A. Yes.
21 Q. Are you requesting that the Board pool the interests of
22 all the parties that are listed on Exhibit C of the
23 application?
24 A. Yes, we are.
25 MS. MCCLANAHAN: Those are all the questions I have for Mr.

1 Arrington.

2 MR. CHAIRMAN: Questions, Members of the Board? Call your
3 next witness.

4 MS. MCCLANAHAN: Bill Gillenwater.

5
6
7 WILLIAM D. GILLENWATER

8 a witness who, after having been previously duly sworn, was
9 examined and testified as follows:

10
11 DIRECT EXAMINATION

12
13 BY MS. MCCLANAHAN:

14 Q. With regard to the unleased owners that are listed on the
15 northeast longwall 10 application, have you contacted
16 those landowners or tried to contact them to obtain a
17 lease?

18 A. Yes, we have.

19 Q. What kind of lease have you offered to each of them?

20 A. An oil and gas lease.

21 Q. By what method did you contact them and offer the lease?

22 A. All parties -- contacts were made in person with the
23 exception of Lida VanDyke, which has been done by
24 telephone.

25 Q. With regard to the lease hold owners that are listed on

1 the northeast longwall 10 application, did you make an
2 offer regarding an assignment of their lease hold
3 interests?

4 A. Yes, we did.

5 Q. By what method did you contact them and offer the
6 assignment?

7 A. In person.

8 Q. Were you able to come to an agreement as to the proposed
9 assigned acreage?

10 A. Not yet.

11 MS. MCCLANAHAN: Those are all the questions I have for Mr.
12 Gillenwater.

13 MR. CHAIRMAN: Any questions? Call your next witness.

14 MS. MCCLANAHAN: My next witness is Randy Albert.

17 RANDALL M. ALBERT

18 a witness who, after having been previously duly sworn, was
19 examined and testified as follows:

21 DIRECT EXAMINATION

22
23 BY MS. MCCLANAHAN:

24 Q. Mr. Albert, Mr. Arrington has previously testified that
25 well work permits have been submitted for the 70 and 71,

1 is that correct?

2 A. That is correct.

3 Q. Well work permits will be resubmitted for 68 and 69?

4 A. That is also correct.

5 Q. Are those all vertical ventilation holes to be converted
6 to coal bed methane wells?

7 A. Yes.

8 Q. Have you received any written responses to the forced
9 pooling application that's been filed?

10 A. No, we have not.

11 Q. Is PGP the owner of the drilling rights underlying the
12 mineral tracts that are to be encompassed by this unit?

13 A. Yes, we are.

14 Q. Does the plat attached to the forced pooling application
15 filed by PGP indicate the acreage to be embraced within
16 the northeast longwall 10 as approved by the Board at its
17 November 19th hearing?

18 A. Yes, it does.

19 Q. Does the plat attached to the forced pooling application
20 filed by PGP indicate the shape of the acreage to be
21 embraced within the northeast longwall 10 unit?

22 A. Yes, it does.

23 Q. Does the unit follow the boundary lines of the longwall
24 panel and its surrounding area for the mine?

25 A. Yes.

- 1 Q. Does the plat filed by PGP indicate the area within which
2 the wells will be converted or drilled?
- 3 A. Yes, it does.
- 4 Q. Does the drilling unit embrace two or more separately
5 owned tracts?
- 6 A. Yes, it does.
- 7 Q. Are the costs and expenses for the wells set forth on
8 DWE's attached to the forced pooling application as
9 Exhibits F through I?
- 10 A. Yes.
- 11 Q. Since Wells 68 and 69 were not previously submitted with
12 the application, those DWE's were not submitted at that
13 time either, is that correct?
- 14 A. That is correct.
- 15 Q. Those have been submitted to the Board today as Exhibit
16 B?
- 17 A. Yes.
- 18 Q. They're actually labeled at the bottom as Exhibit J and
19 Exhibit K. Have there been any revisions to the DWE's
20 for the wells that comprise the NELW10 that were pre-
21 viously filed?
- 22 A. No.
- 23 Q. Do these exhibits reflect the cost of drilling the wells
24 to total depth and completed production costs?
- 25 A. Yes, they do.

- 1 Q. How did you calculate the costs that are listed in the
2 DWE's?
- 3 A. The costs, as before, are actual costs.
- 4 Q. That's true for all four wells?
- 5 A. Yes, all four wells are drilled.
- 6 Q. By whom were the wells drilled?
- 7 A. The wells were drilled by Pocahontas Gas Partnership.
- 8 Q. Are you requesting that PGP be designated as the well
9 operator authorized to operate the NELW10?
- 10 A. Yes, I am.
- 11 Q. That the Board prescribe the time and manner in which
12 other mineral owners may elect to participate in the
13 operation of the wells?
- 14 A. Yes, I am.
- 15 Q. Participating mineral and lease hold owners bear the
16 reasonable cost and expenses connected to the wells in
17 the proportion in which the acreage they own bears to the
18 total acreage in the unit?
- 19 A. Yes, I am.
- 20 Q. That the Board make provision for the payment of all
21 reasonable costs of the operation including a reasonable
22 supervision fee by all mineral or lease hold owners that
23 elect to be participating operators?
- 24 A. Yes, I am.
- 25 Q. That the Board provide alternatives to mineral or lease

1 hold owners who do not elect to become participating
2 owners?
3 A. That's correct.
4 MS. MCCLANAHAN: Those are all the questions I have for Mr.
5 Albert.
6 MR. MCGLOTHLIN: Mr. Chairman.
7 MR. CHAIRMAN: Mr. McGlothlin.
8 MR. MCGLOTHLIN: Let's start at my end of the table and work
9 this way. On your DWE, when were they drilled?
10 MR. ALBERT: The wells were drilled in the fourth quarter of
11 1990?
12 MR. MCGLOTHLIN: Both of them?
13 MR. ALBERT: Yes, sir.
14 MR. MCGLOTHLIN: On 10' 16" 55 number conductor --
15 MR. ALBERT: Which DWE might I --
16 MR. MCGLOTHLIN: J.
17 MR. ALBERT: Okay.
18 MR. MCGLOTHLIN: You have it at \$10.00 a foot, right?
19 MR. ALBERT: Yes, sir.
20 MR. MCGLOTHLIN: On K, you have it at \$12.00. That's a \$2.00
21 discrepancy.
22 MR. ALBERT: I think I have it at \$22.00 a foot.
23 MR. MCGLOTHLIN: Or 22 and 10 and 12. Okay, I'm sorry.
24 MR. ALBERT: Okay. I think that's the feet.
25 MR. MCGLOTHLIN: Well, let's get -- why are these running

1 \$50,000 to \$60,000 more than your ones as for --

2 MR. ALBERT: Well, I would point out -- 68 and 69 are on top
3 of possibly the highest ridge in Buchanan County.

4 Directly on top of that ridge we encountered, in the case
5 of 68, two mined out coal seams -- the Splash Dam and the
6 Kennedy -- it required us to have to set -- if you'll
7 notice, eventually down to 9 5/8" casing on 68 -- or on
8 69, I believe. We had to set on one of the wells -- I
9 believe it was again 69 -- 262 foot of 16". So my reason
10 for these wells being higher than what you would normally
11 see would be the increased depth and having to go through
12 the mined out Kennedy and Splash Dam coal seams that we
13 encountered.

14 MR. MCGLOTHLIN: You're saying you had a 9 5/8" on 69?

15 MR. ALBERT: Yes, sir.

16 MR. MCGLOTHLIN: But you didn't have to do that on 68?

17 MR. ALBERT: Not according to this DWE. My memory tells me
18 that we did, but I would have to -- I got to defer to
19 what I have on paper here.

20 MR. MCGLOTHLIN: It just seems like an awful lot of added
21 expenses.

22 MR. HASON: Mr. Chairman.

23 MR. CHAIRMAN: Mr. Hason.

24 MR. HASON: In the first place, you're talking about 68 and
25 69. I thought they were the ones that were to be

1 Drilled?

2 MR. ALBERT: No, sir. Let me clarify that. What happened is
3 we had the permits filed to convert 68 and 69, our
4 existing wells. We had the permits filed to convert
5 those from VWH to CBM. We had an objection from a upper
6 seam or above drainage coal owner -- coal lessee in that
7 area. We finally reached agreement with that lessee
8 yesterday. So we ended up trying to add them back in
9 now. But they are existing wells. They are not wells to
10 be drilled.

11 MR. MASON: So all four wells are in existence?

12 MR. ALBERT: Yes, sir.

13 MS. MCCLANAHAN: Yes, sir. This is -- but we didn't know that
14 until yesterday -- that we were going to be able to use
15 these two existing wells because we had had the objection
16 from the coal owner. So the application should be
17 revised to -- our request, through the application, is
18 that we be able to convert the four existing wells,
19 including 68 and 69.

20 MR. MASON: So we're not talking about actual well costs --
21 projected costs. There are actual costs on these?

22 MR. ALBERT: Yes, sir.

23 MS. MCCLANAHAN: All four are actual costs, that's correct.

24 MR. MASON: That's why -- when I was looking at these -- if
25 you'll at the two Exhibits H and I where it says,

1 "sealing of the gob", there are no charges. But on the
2 two for the other ones which are K and J, you've got a
3 \$7,141 charge for sealing of the gob.
4 MR. ALBERT: That's a mistake, Mr. Mason. That needs to be
5 removed.
6 MS. MCCLANAHAN: Well, it's -- let me -- it's not a mistake.
7 It's just that that was in there originally because these
8 were submitted originally with the sealed --
9 MR. ALBERT: With the sealed gob application.
10 MS. MCCLANAHAN: Right. But they should be removed.
11 MR. MASON: But they're not a part of the cost for someone
12 who's electing --
13 MS. MCCLANAHAN: In the gob unit.
14 MR. ALBERT: Not in this unit.
15 MS. MCCLANAHAN: That's correct.
16 MR. MCGLOTHLIN: So we can deduct \$7,000 off each?
17 MR. ALBERT: Yes, sir.
18 MR. MASON: Actually, though, what you need to do is submit
19 actual costs on both of these, don't you?
20 MR. ALBERT: That's what we have submitted.
21 MS. MCCLANAHAN: That's what they are.
22 MR. MASON: Wait a minute. I'm lost again. I know the ones
23 with the application which are H and I are actual. Am I
24 understanding that K and J were estimated when -- no?
25 MR. ALBERT: No.

1 MS. MCCLANAHAN: We had enough time to change the exhibits
2 last night. So the exhibits that are in this book are
3 correct. The application is not correct. Is that --
4 MR. CHAIRMAN: And that's because you leased the coal -- you
5 cleared the coal owner objection?
6 MS. MCCLANAHAN: Right. Exactly.
7 MR. ALBERT: What we have done to -- we kind of hedged our bet
8 on how we were going to come out with the coal owner
9 objection. We knew that it would take four wells on this
10 panel. What we didn't know was would we be successful in
11 negotiating an agreement with the upper seam coal lessee.
12 So we included two estimated DWE's -- or two estimated
13 costs for two more wells because we weren't sure whether
14 we would be able to convert our existing wells or we
15 would, then, have to go back and drill two additional
16 wells at another location approved by the upper seam coal
17 lessee. But when we reached agreement yesterday, then we
18 came back and put actual costs DWE's into the applica-
19 tion.
20 MR. MASON: So, in effect, which ones go out and which ones
21 stay. You tell me. We're talking about F through J.
22 We've got 6 DWE's for four wells.
23 MS. MCCLANAHAN: It should be F and G as submitted with the
24 application, is that right?
25 MR. ALBERT: Right.

1 MR. MCCLANAHAN: And then --
2 MR. ALBERT: J and K.
3 MS. MCCLANAHAN: Then J and K as submitted today.
4 MR. MASON: Less the gob sealing.
5 MR. ALBERT: Less the gob.
6 MR. MASON: Then, subject to whatever percentage that your
7 assumed next witness assigns to it?
8 MR. ALBERT: Yes.
9 MR. MCGLOTHLIN: Mr. Chairman.
10 MR. CHAIRMAN: Mr. McGlothlin.
11 MR. MCGLOTHLIN: Mr. Albert, in your -- the ones we just
12 approved -- excuse me, it's getting to be a long day --
13 you drilled 12" holes?
14 MR. ALBERT: Yes, sir.
15 MR. MCGLOTHLIN: In these you've got 18" holes or 16".
16 MR. ALBERT: Yes, sir.
17 MR. MCGLOTHLIN: Why?
18 MR. ALBERT: To end up with a 12" hole below the mined out
19 coal seams, we had to start out with a bigger hole here
20 because we were going to continually -- we knew there was
21 at least one mined out seam. We knew the Splash Dam was
22 mined out. What we didn't know was that also, in the
23 case of 69, that below the Splash Dam mined out was the
24 Kennedy seam mined out. So in 68, we were able just to
25 set 13 3/8". After I go back and look and get my memory

1 straight here, we were able to set 13 3/8" all the way
2 till 1,100 feet or so on 68. However, on 69 we set 13
3 3/8", went about 300 more feet and hit another mined out
4 seam. Had to stop and set a string of 9 5/8" at 1,100
5 feet on it. So that is the reason for starting out with
6 a bigger hole at the top and, alas, for the increased
7 cost. Again, like I say, we were on top of a ridge and
8 we were at the -- we had to go through the Splash Dam and
9 the Kennedy, which are typical seams mined in Buchanan
10 County.

11 MR. MCCLANAHAN: I would move the introduction of Exhibit B,
12 with the changes as we suggested. Subtracting \$7,143.
13 for sealing costs from J and \$7,143. from Exhibit K.

14 (PGP's Exhibit B received.)

15 MR. MCGLATHLIN: Are you going to supply us with an updated
16 copy.

17 MR. MCCLANAHAN: Yeah.

18 MR. CHAIRMAN: Other questions for Mr. Albert? Is this
19 production from a sealed gob unit? What's this produc-
20 tion coming from? The planned production that these
21 wells are going into?

22 MR. ALBERT: From the fracked wells in the active gob phase of
23 the -- this application deals with the frack and the
24 active gob part of the process.

25 MR. CHAIRMAN: And not the sealed unit that we approved in

1 BUN17

2 MR. ALBERT: That's correct. We will be coming before the
3 Board for the forced pooling of the BUNE1 sealed gob unit
4 at a later date.

5 MR. FULMER: You've already done that for BUNE1.

6 MR. ALBERT: No, that was BUN1.

7 MR. FULMER: It was BUNE1 you did.

8 MR. MORGAN: We did a --

9 MR. ALBERT: We did a unit.

10 MR. MORGAN: We did a unit application for BUNE1. We have not
11 done forced on BUNE1. These wells will be contained as
12 the others within both units. I will get into the same
13 proration scheme as before.

14 MR. CHAIRMAN: Okay, so you're going to kind of sort that out
15 for us?

16 MS. MCCLANAHAN: Right. Just to make this clear, the reason
17 the sealing cost got in there is because these were
18 prepared in connection with the BUNE1. So last night it
19 was a matter of getting the DWE's together and we just
20 didn't catch that the sealing costs were left in there.

21 MR. CHAIRMAN: I understand that part. I just want to make
22 sure we keep it clarified what we're producing from here
23 because I think that's an important thing for the record.

24 MS. MCCLANAHAN: Okay. My next witness is Mr. Claude Morgan.
25

1 CLAUDE DALE MORGAN

2 a witness who, after having been previously duly sworn, was
3 examined and testified as follows:

4
5 DIRECT EXAMINATION

6
7 BY MR. MCCLANAHAN:

8 Q. Mr. Morgan, with regard to the costs that are listed on
9 the DWE's that Randy Albert has described and submitted
10 for the wells in the northeast longwall 10, how do you
11 propose to allocate the costs among the owners in the
12 unit?

13 A. The four wells described by Mr. Albert will serve both
14 the NELW10 as well as the BUNE1 sealed gob unit. As
15 such, we are proposing to prorate the cost of these four
16 wells to the two units. We would propose to prorate the
17 costs based on a percentage of the estimated production
18 from the NELW unit divided by the total production from
19 the area served by these four wells which includes the
20 area of the sealed gob served by these four wells. I
21 think it's Exhibit 4 that demonstrates the numbers
22 associated with this allocation. We are projecting 709
23 million cubic feet from the fracked wells -- these four
24 wells -- the active gob and the horizontal production.
25 This area of the BUNE1 sealed gob unit should contribute

1 a billion, 298 million cubic feet of sealed gob.

2 Dividing the two 35.3 percent of the cost of these four
3 wells would be attributed to NELW10 unit.

4 Q. So, you propose to charge the unit owners 35.3 percent of
5 the total costs listed on the DWE's, is that correct?

6 A. That's correct.

7 Q. Do you propose to charge the unit owners for additional
8 wells that will be drilled in this unit?

9 A. At this time, we're asking approval of these four wells.
10 If we determine, based on mine safety, drainage, and
11 economics that additional costs are justifiable, we would
12 come back before the Board for approval of any additional
13 costs associated with any additional wells.

14 Q. Can you explain to the Board how you arrived at the
15 estimated active gob production, estimated fracked gas
16 production and estimated sealed gob production in the
17 unit for purposes of the calculations shown on Exhibit 4?

18 A. The production from the NELW10 unit is composed of
19 fracked production, which is four wells and based on our
20 historical average for the wells in this area of 85,000
21 cubic feet per day for four years. Then, converting to
22 an active gob scenario which would only last about half a
23 year prior to sealing. The horizontal production, which
24 is based on our historical 15 million cubic feet liberat-
25 ed per 1,000 foot of longwall. The sealed gob production

1 of a billion, 298,000 is based on taking the total
2 projected sealed gob production of 9.1 BCF for the BUNEI,
3 taking the area of the gob attributed to this longwall
4 panel and the resulting percentage of that 9.1 BCF would
5 result in 1 billion, 298 million cubic feet.

6 MR. MCCLANAHAN: Those are all the questions I have for Mr.
7 Morgan.

8 MR. EVANS: Mr. Chairman, I have one quick question.

9 MR. CHAIRMAN: Mr. Evans.

10 MR. EVANS: Your estimates of -- this is just for my own
11 clarification -- estimates of 15 million cubic feet per
12 thousand foot of longwall -- what's the other dimension
13 on the longwall. I mean, you know, per thousand feet
14 face or per thousand feet of --

15 MR. MORGAN: That's per thousand feet of length. That's on
16 there --

17 MR. EVANS: How wide?

18 MR. MORGAN: We have 600 foot wide longwalls.

19 MR. EVANS: Thank you. That's all I need to know.

20 MR. CHAIRMAN: Other questions?

21 MR. MASON: I wanted to ask one question.

22 MR. CHAIRMAN: Mr. Mason.

23 MR. MASON: Approximately what do you think is the life of
24 these wells from active gob through sealed gob?

25 MR. MORGAN: 15 years. Excuse me, from active gob through

1 sealed job? I gave you 15 years. That's the cracked
2 active job and sealed job. I don't know if that's what
3 you were asking.

4 MR. MASON: Yeah, I want it all.

5 MR. MORGAN: Okay. 15 years.

6 MR. MASON: I'm sorry. Yes. Fracks -- yeah. Total 15 year
7 life -- productive life?

8 MR. MORGAN: Yes, sir.

9 MR. CHAIRMAN: Did you have another question? Other ques-
10 tions? Do you have anything else?

11 MR. MCCLANAHAN: No.

12 MR. CHAIRMAN: What's your pleasure?

13 MR. MCGLOTHLIN: Mr. Chairman.

14 MR. CHAIRMAN: Mr. McGlothlin.

15 MR. MCGLOTHLIN: I move that we approve the application.

16 MR. CHAIRMAN: As amended here today?

17 MR. MCGLOTHLIN: Yes, as amended here today. Right.

18 MR. EVANS: Second.

19 MR. CHAIRMAN: A motion and second. All in favor signify by
20 saying yes. Oppose say no. Unanimous approval. That
21 concludes the items on the Board's agenda today.

22
23 (End of proceedings for
24 February 18, 1992.)
25

1
2 CERTIFICATE
3

4 COMMONWEALTH OF VIRGINIA

5 COUNTY OF WASHINGTON
6

7 I, Tamara L. White, Notary Public in and for the Common-
8 wealth of Virginia, at Large, do hereby certify that the
9 foregoing proceedings of the Virginia Gas and Oil Board
10 meeting held on February 18, 1992 at the Southwest Virginia
11 4-H Center, Abingdon, Virginia, were taken by me and that the
12 foregoing is a true and correct transcript of the proceedings
13 had as aforesaid to the best of my ability.

14 I further certify that I am not a relative, counsel, or
15 attorney for either party, or otherwise interested in the
16 outcome of this action.
17

18 GIVEN under my hand this 13th day of March, 1992.
19

20 Tamara L. White
21 TAMARA L. WHITE
22 NOTARY PUBLIC
23

24 My commission expires June 30, 1996.
25