

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

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8 FEBRUARY 24, 1998

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13 BOARD MEETING

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23 Reported by:
SONYA MICHELLE BROWN, Court Reporter
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1 Grundy, Virginia 24614
2 (540) 935-5257

3 BENNY WAMPLER: Good morning. My name is Benny
4 Wampler. I'm Deputy Director for the Virginia Department of
5 Mines, Minerals and Energy and I'll ask the Gas & Oil Board
6 members to introduce themselves.

7 MASON BRENT: I'm Mason Brent and I represent the
8 Gas and Oil Industry, and I'm from Richmond.

9 MAX LEWIS: Max Lewis from Buchanan County, a
10 public member.

11 SANDRA RIGGS: Sandra Riggs with the office of the
12 Attorney General.

13 BILL HARRIS: I'm Bill Harris, a public member from
14 Wise County.

15 CLYDE KEEN: I'm Clyde Keen, a public member from
16 Abingdon.

17 TOM FULMER: Tom Fulmer, Department of Mines,
18 Minerals and Energy.

19 BENNY WAMPLER: The first item on today's agenda is
20 a petition from Columbia Natural Resources for a well
21 location exception. This is docket number VGOB-98-01/20-
22 0618. We'd ask the parties that wish to address the Board in
23 this matter to come forward at this time and introduce
24 yourselves, please.

1 JIM KISER: Mr. Chairman and members of the Board,
2 Jim Kiser of Will, White and Kiser on behalf of Columbia
3 Natural Resources. Our witnesses in this matter will be Miss
4 Mary Ann Fox as to land matters and Miss Becky Barnes as to
5 production and operation. At this time, I'd ask that the
6 witnesses be sworn.

7 (Witnesses are duly sworn.)

8 MASON BRENT: Mr. Chairman, for the record---

9 BENNY WAMPLER: Yes, sir.

10 MASON BRENT: ---I would like to recuse myself from
11 this item.

12 BENNY WAMPLER: Okay, that's done. We'll still
13 have a quorum.

14

15 MARY ANN FOX

16 having been duly sworn, was examined and testified as
17 follows:

18 QUESTIONS BY MR. KISER:

19 Q. Miss Fox, could you please state your name
20 for the record, who are employed by and in what capacity?

21 A. My name Mary Ann Fox, and I'm a law services
22 coordinator with Columbia Natural Resources.

23 Q. And you have not previously testified before
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1 the Virginia Gas and Oil Board, have you?

2 A. No, I have not.

3 JIM KISER: And Mr. Chairman and members of the
4 Board, I have prior to the hearing handed you an exhibit that
5 is Miss Fox's resume and at this time I'll ask her to go
6 through it for you and highlight both her educational and
7 work experience in the oil and gas industry.

8 A. Good morning. I have a degree of Bachelor
9 of Liberal Arts in Legal Studies from Marshall University.
10 I've been...I previously worked with law firms in Huntington,
11 West Virginia. I was hired by Columbia Gas in 1982 as
12 contract purchase analyst and contract specialist. There I
13 reviewed chain titles, leases, title opinions to prepare oil
14 and gas contracts to work with producers. I then was a lease
15 analyst and examined deeds, wills, and other legal documents
16 in order to determine mineral ownership. I abstract and
17 review titles in various courthouses, in many courthouses in
18 different states which we operate in. In 1986, I became a
19 law services coordinator in the legal department where I do a
20 lot of abstracting, title research and we use in many
21 litigation cases or in matters of...like we are here today.

22 Q. And you're familiar with the Virginia Gas
23 and Oil Act and the regulations and you actively participate

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1 with the Virginia Oil and Gas Association?

2 A. Yes, I do.

3 JIM KISER: Mr. Chairman, at this time I would like
4 to submit that Miss Fox as an expert witness on land matters.

5 BENNY WAMPLER: Any objections?

6 (No audible response.)

7 BENNY WAMPLER: Hearing none, she'll be accepted.

8 Q. Miss Fox, do your responsibilities include
9 the land involving the unit here and in the surrounding area?

10 A. Yes, it does.

11 Q. And are you familiar with the application
12 for the location exception for well number 21674 and the
13 relief requested by the application?

14 A. Yes, I am.

15 Q. And have all interested parties been
16 notified as required by Section 4B of the Virginia Gas and
17 Oil Board Regulations?

18 A. Yes, they have.

19 Q. And can you set out the ownership of the oil
20 and gas underlying the tracts within this unit?

21 A. Yes. Pine Mountain owns the oil and gas
22 rights and Pixis is the coal operator.

23 Q. And does C & R have the right to operate the
24

1 reciprocal well?

2 A. Yes, they do.

3 Q. And can you state for the Board the
4 correlative rights issues...is the surround...is all the
5 acreage in the surrounding units also owned...the oil and gas
6 owned by Pine Mountain and the coal owned by Pixis?

7 A. Yes, it is. There are no correlative rights
8 in this matter.

9 Q. No correlative rights issues?

10 A. No issues.

11 JIM KISER: Now, Mr. Chairman and members of the
12 Board, in addition to the...Miss Fox's resume, another
13 exhibit that was handed out prior to the hearing is a letter
14 from Richard Brillhart at Pine Mountain Gas approving the
15 proposed location for well 21674. In conjunction with that
16 exhibit...well, first of all, let's talk about C & R's lease
17 on the property that is included in the subjected unit.

18 Q. Could you briefly talk about the lease and
19 state the relevant terms and conditions to this hearing?

20 A. Yes, we have a oil and gas lease. However,
21 coal is the predominant estate in this lease, where the coal
22 operator has the right to set forth where the well is to be
23 located if they have...if we decide to set a well in a

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1 certain area, they have the provisions and the right to
2 advise us to move the location in this matter.

3 Q. And prior to locating this well, did you
4 seek the approval of Mr. Brillhart and Pine Mountain?

5 A. Yes, we did.

6 Q. And what concerns did he have with locating
7 it to the Northwest, which would have provided us with a
8 legal location?

9 A. Due to the mining operations that are
10 occurring in the area, and due to the Breaks Interstate Park
11 and the mining operations that are occurring by Mr.
12 Brillhart, he requested that we stay within a certain
13 elevation and we couldn't move it in any way in order to get
14 the location that we have except for where it's located right
15 now and he approved this one location. He did not want us to
16 put it in any other area.

17 Q. Okay. So, he approved---?

18 A. There are mining operations.

19 Q. Right. There are mining...ongoing mining
20 operations to the Northwest and he requested---?

21 A. And to the North.

22 Q. ---that the well be located below the
23 elevation of 1750---?

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1 A. Yes.

2 Q. ---and I think in accordance with the plat
3 it's located at 1714---?

4 A. 1712.

5 Q. ---1712?

6 A. Uh-huh, that's correct.

7 Q. Okay. And regards to the location of
8 additional reciprocal wells, additional wells that C & R
9 operates in the surrounding units, is it true that there are
10 no...there is no...there's not any other direction in which
11 the location for 21674 could be moved in order to achieve a
12 legal location?

13 A. No.

14 Q. In other words, if we moved it in any other
15 direction other than---?

16 A. It can not.

17 Q. ---Northwest which we're precluded by coal
18 mining operations, we would have to seek an exception from a
19 well other than 9550 of it---?

20 A. That is correct.

21 Q. ---is why we're seeking exception from that,
22 is that correct?

23 A. That's correct.

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1 JIM KISER: Okay. No further questions of this
2 witness at this time, Mr. Chairman.

3 BENNY WAMPLER: Questions from members of the Board
4 of this witness?

5 CLYDE KEEN: Where's the Breaks Interstate Park
6 from here?

7 A. A little bit to the Northwest from this.

8 CLYDE KEEN: This is in Virginia?

9 JIM KISER: Yes.

10 A. Yes.

11 CLYDE KEEN: That's not very far, is it, to the
12 state line?

13 (No audible response.)

14 BENNY WAMPLER: Other questions?

15 (No audible response.)

16 BENNY WAMPLER: Call your next witness.

17 BECKY BARNES

18 having been duly sworn, was examined and testified as
19 follows:

20 QUESTIONS BY MR. KISER:

21 Q. Miss Barnes, could you please state your
22 name for the Board, who you're employed by and in what
23 capacity?

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1 A. Becky Barnes. I'm employed with Columbia
2 Natural Resources as a Senior Prospect Engineer.

3 Q. And you have not testified previously before
4 the Virginia Gas and Oil Board either?

5 A. No, I have not.

6 JIM KISER: Mr. Chairman and members of the Board,
7 an additional exhibit handed out prior to the hearing is Miss
8 Barnes' resume. At this time I would ask her to go through
9 and give you a brief synopsis of both her educational and
10 professional experience.

11 A. I received a B.S. Degree in Petroleum
12 Engineering in 1986 from New Mexico Institute of Mining and
13 Technology. I worked from 1986 to 1991 for Conoco, both in
14 the premium base in Texas and the Wilston base in the North
15 Dakota. I then worked from 1991 till about 1997 for Eastern
16 American Energy as a reservoir engineer. Primarily special
17 projects, reserve reports, drilling program evaluations,
18 acquisitions, dispositions. I've been employed with Columbia
19 Natural Resources since May 1997. My primarily...my primary
20 responsibilities there are evaluating drilling programs,
21 running economics, reservoir engineering, acquisitions,
22 dispositions, that sort of thing.

23 JIM KISER: Mr. Chairman, at this time, I would
24

1 like to submit Miss Barnes as a expert witness.

2 BENNY WAMPLER: Any objection?

3 (No audible response.)

4 BENNY WAMPLER: Without objection, she's accepted.

5 Q. And Miss Barnes, are you familiar with the
6 application that we filed for the location exception for well
7 number V...21674?

8 A. Yes, I am.

9 Q. In any event this location exception, the
10 application, would not be granted, would you project the
11 estimated loss of reserves resulting in waste?

12 A. Yes. It's five hundred million (5,000,000)
13 cubic feet of gas.

14 Q. And what is the total depth of proposed well
15 under the applicants plan of development?

16 A. Five thousand three hundred and forty
17 (5,340) feet.

18 Q. And this will be consistent with the
19 formation...to produce in the formations with the well work
20 permit that's currently pending before the DMME?

21 A. That's correct.

22 Q. And will this be sufficient to penetrate and
23 test the common sources of supply in the subject formations?

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1 A. Yes.

2 Q. And are you requesting that this location
3 exception cover conventional reserves to include the
4 designated formations from the surface to the total depth of
5 drilling?

6 A. Yes.

7 Q. And Miss Barnes, in your professional
8 opinion will the granting of this location exception be in
9 the best interest of preventing waste, protecting correlative
10 rights and maximizing recovery of the gas reserves underlying
11 the unit for well number 21674?

12 A. Yes.

13 JIM KISER: Nothing further of this witness at this
14 time, Mr. Chairman.

15 BENNY WAMPLER: Any questions from members of the
16 Board?

17 MAX LEWIS: Is this surface here owned by Big Sandy
18 Fuel?

19 JIM KISER: Big Sandy Fuel, tract number one.

20 MAX LEWIS: Uh-huh.

21 BENNY WAMPLER: Is the line that's across the lower
22 portion of the plat delineating Samuel Mullins...the tract
23 only, is that the only purpose of that line? Is that to

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1 provide that?

2 JIM KISER: Yep.

3 BENNY WAMPLER: Is the well, CNR well number 9585,
4 the only other well that you encounter in this area that's
5 within the space?

6 JIM KISER: Yes. It's the only well that we're
7 seeking an exception from. There are other wells that are
8 operated by CNR in the surrounding units which was what I was
9 talking about when I was asking Miss Fox about if we went---

10 BENNY WAMPLER: Right.

11 JIM KISER: ---in any direction other than to the
12 Northwest, could we get a legal location without seeking an
13 exception from another well, which we'd be prohibited from
14 doing.

15 BENNY WAMPLER: Any other questions?

16 BILL HARRIS: Mr. Chairman.

17 BENNY WAMPLER: Mr. Harris.

18 BILL HARRIS: Miss Fox, let me ask you again about
19 the 1750, the request or somewhat about that, what was the
20 rational for that?

21 A. There are mining operations in the area and
22 Mr. Brillhart requires us to stay below 1750 feet in
23 order...due to all the operations that are occurring and it

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1 would affect their mining...their coal mining operations.

2 BILL HARRIS: Okay.

3 A. And what...we had to move the location. He
4 has already said no in one instance and this is the only
5 other area that we could do it.

6 BILL HARRIS: One that he would approve. Yeah.
7 Thank you.

8 BENNY WAMPLER: Any other questions from members of
9 the Board?

10 (No audible response.)

11 BENNY WAMPLER: Do you have anything further?

12 JIM KISER: Mr. Chairman, we'd ask that the
13 application be approved as submitted.

14 MAX LEWIS: I make a motion that we approve the
15 application as presented.

16 CLYDE KEEN: Second.

17 BENNY WAMPLER: Motion and second, any further
18 discussion?

19 (No audible response.)

20 BENNY WAMPLER: All in favor, signify by saying
21 yes.

22 (All signify by yes.)

23 BENNY WAMPLER: All opposed, say no.

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1 (No audible response.)

2 BENNY WAMPLER: You have approval.

3 JIM KISER: Thank you.

4 BENNY WAMPLER: Thank you. The next item on the
5 agenda is the Board will consider a petition from Cabot Oil
6 and Gas Corporation for pooling of conventional gas well unit
7 identified as COGC #27R. This is docket number VGOB-98-
8 02/17-0619. We'd ask the parties that wish to address the
9 Board in this matter to come forward at this time.

10 ELIZABETH McCLANAHAN: Mr. Chairman, before we
11 begin, Mr. McMillian, who is the director of the 4-H Center
12 says that there's a blue Suburban in the parking lot that the
13 lights are still on it.

14 BENNY WAMPLER: Thank you.

15 ELIZABETH McCLANAHAN: Okay. I'm Elizabeth
16 McClanahan and I'm with the firm Penn, Stuart & Eskridge and
17 represent Cabot Oil and Gas Corporation in this matter with
18 regard to the COGC 27R. The application before the Board
19 today is to establish a provisional drilling unit for the
20 drilling of a conventional gas well in the unit designated as
21 COGC 27R. The production of gas will be from three
22 formations, The Big Lime, Raven Cliff and Berea formations.
23 Within this unit, Cabot actually controls 96.29% of the gas
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1 estate. The publication of the notice for this particular
2 hearing was published in the Bluefield Daily Telegraph and
3 I'm certain the Board will remember that due to inclement
4 weather, the Board was unable to have the hearing date last
5 week. So, the Board actually sent notice to all parties that
6 are identified on Exhibit C of the application for the
7 hearing today, February 24th. The parties to be forced
8 pooled in the application are R.L. Vandyke and the
9 Commonwealth of Virginia. Those are potential owners of the
10 gas estate underlying 3.71% of the proposed unit. Cabot
11 personnel have been unable to locate R.L. Vandyke or his
12 heirs, successors and assigns, but provided notice pursuant
13 to the statute by publication. Cabot has also notified the
14 Commonwealth of Virginia about its potential interest in the
15 3.71% of the proposed unit by notifying the Commonwealth
16 through the Assistant Attorney General, but also through the
17 Department of Unclaimed Property in Richmond. And the
18 Department of Unclaimed Property has signed a waiver of
19 notice for this particular hearing today as it took us a
20 little bit of time to determine which particular agency had
21 responsibility for this property. The Commonwealth of
22 Virginia, as a result, is of course listed on Exhibit C as a
23 potential party to the gas ownership.

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1 The three witnesses that we plan to call today are
2 Carol Hoch, Dave McCluskey and Michael Pryor. If you would
3 like to swear those witnesses.

4 BENNY WAMPLER: Go ahead.

5 (Witnesses are duly sworn.)

6 ELIZABETH McCLANAHAN: The first witness I'd like
7 to call is Miss Carol Hoch.

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CAROL HOCH

11 having been duly sworn, was examined and testified as
12 follows:

13 QUESTIONS BY MISS McCLANAHAN:

14 Q. Miss Hoch, could you please state your full
15 name for the record and your address?

16 A. My name Carol Hoch and my address is 400
17 Fairway Drive, Suite 400 in Corapolis, Pennsylvania and
18 that's the address of Cabot Oil and Gas.

19 Q. Okay. Could you identify Exhibit One that
20 we've presented to the Gas and Oil Board Members here today?

21 A. Yes, Exhibit One is a copy of my resume.

22 Q. And does this resume reflect your
23 educational background and work experience?

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1 A. Yes, it does.

2 ELIZABETH McCLANAHAN: Mr. Chairman, Miss Hoch, of
3 course, has not been previously qualified as a expert
4 witness. So, if the Board would like a couple of minutes to
5 review her resume, I would submit Miss Hoch as a expert
6 witness in land matters.

7 (The Board reviews Exhibit One.)

8 Q. Miss Hoch, could you please explain your
9 specific responsibilities at Cabot for the Board?

10 A. At Cabot, I'm a...my position is a
11 land...I'm a landman with Cabot Oil and Gas and I am involved
12 in the...all land related aspects in the drilling and
13 production of Cabots Gas and Oil wells in the Southern West
14 Virginia and portions of Virginia, which includes Tazewell
15 County. And as a part of my responsibilities I am involved
16 in the acquisition of properties in our oil and gas units. I
17 am involved in the settlement of surface damages and such, as
18 necessary. I coordinate all the title opinions that are run
19 and all the title curative that is done and if there are any
20 agreements we need to get with partners such as joint
21 operating agreements, or if we're showing any prospects
22 involving confidentiality agreements and that type
23 of...of...of agreements, I'm involved in write...in writing

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1 those agreements and negotiating those with the partners.

2 BENNY WAMPLER: We'll give them time to look at the
3 resume. Any objections to accepting Miss Hoch as a qualified
4 expert witness?

5 BILL HARRIS: None here.

6 BENNY WAMPLER: Hearing no objections, she's
7 accepted.

8 Q. Miss Hoch, could you explain to the Board
9 whether Cabot has given notice as required by 45.1-361.19 to
10 each person or entity that's identified on Exhibit C as a
11 potential owner of the gas, oil, coal and minerals underlying
12 the unit?

13 A. Yes, we have.

14 Q. And could you identify Exhibit Two as
15 submitted to the Board?

16 A. Exhibit Two is the notice of hearing. Is
17 that the right one?

18 Q. Yes. Is that Exhibit Two the notice of
19 hearing that was mailed along with a copy of the application
20 and exhibits to the parties that are listed on Exhibit C?

21 A. Yes, it is.

22 ELIZABETH McCLANAHAN: Mr. Chairman, I would move
23 the introduction of Exhibits One and Two.

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1 BENNY WAMPLER: All right. They're accepted.

2 Q. How was the notice of hearing with a copy of
3 the application in Exhibits mailed to the parties?

4 A. It was sent out by certified mail, return
5 receipt requested.

6 Q. And are the copies at Exhibit Three, copies
7 of those return receipts as well as the waiver of notice from
8 the Unclaimed Property Division of the Department of Treasury
9 for Virginia?

10 A. Yes, that's correct.

11 ELIZABETH McCLANAHAN: Mr. Chairman, I would move
12 the introduction of Exhibit Three.

13 BENNY WAMPLER: It's accepted.

14 Q. Were there any persons whose name and/or
15 addresses were unknown who had a potential interest in the
16 gas underlying the COGC 27R unit?

17 A. Yes, there were. That was the R.L. Vandyke
18 interest.

19 Q. And did Cabot publish a notice of hearing in
20 the Bluefield Daily Telegraph on January 28th of 1998?

21 A. Yes, they did.

22 Q. Was a copy of the proof of publication
23 previously submitted to the Board?

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1 A. Yes, it was.

2 Q. And is the information with regard to
3 ownership listed on Exhibits C, D and F of the application as
4 still current and correct?

5 A. Yes, it is.

6 Q. Has a drilling permit been previously
7 refused to Cabot on any of the tracts that comprised the
8 proposed COGC 24 unit?

9 A. No, it has not.

10 Q. Has a well work permit been filed for the
11 well that will be within the unit boundaries of the COGC 27R?

12 A. Yes. It was filed on the 18th of February
13 of 1998.

14 Q. Does the plat that's attached to the unit
15 and pooling application filed by Cabot indicate the acreage
16 and the shape of the acreage to be embraced within the 27R
17 unit?

18 A. Yes, it does.

19 Q. And does the plat submitted with the
20 application indicate the area within which the well will
21 drilled in that unit?

22 A. Yes, it does.

23 Q. Does the proposed COGC 27R embrace two or
24

1 four separately owned tracts or are there separately owned
2 interests in all or any part of the drilling unit and those
3 having interests have not agreed to pool their interests?

4 A. Yes, that's correct.

5 Q. What percentage of the oil and gas within
6 the unit is owned and leased by Cabot?

7 A. Approximately 96.29% is owned or leased by
8 Cabot.

9 Q. And what percentage of the oil and gas
10 underlying the COGC 27R unit is not owned or leased by Cabot?

11 A. Approximately 3.71%.

12 Q. And are you requesting that the monies
13 attributable to the unlocated owners be placed in the escrow
14 account previously established by the Board under 45.1-361.21
15 in the regulations?

16 A. Yes.

17 Q. Are you requesting that the Board establish
18 the proposed COGC 27R unit as a provisional unit and pool the
19 interest of the parties listed on Exhibit C?

20 A. Yes.

21 ELIZABETH McCLANAHAN: Mr. Chairman, those are all
22 the questions I have for Miss Hoch.

23 BENNY WAMPLER: Any other question from members of
24

1 the Board?

2 MASON BRENT: Are you confident that you got the
3 right Department of the State for this unclaimed property?

4 ELIZABETH McCLANAHAN: Well, we worked with Miss
5 Riggs to locate the correct department and we've also had
6 numerous conversations with Vicki Bridgeman who actually
7 signed the waiver of notice and she has indicated that we
8 have located the right department and the right person and in
9 fact, I would tell you that Miss Bridgeman is a model state
10 employee in my---

11 MASON BRENT: What does that mean?

12 CLYDE KEEN: That could take a lot.

13 ELIZABETH McCLANAHAN: ---she has worked very hard
14 in a very constrained time limit to make certain that this
15 was handled properly. So, I feel confident about that.

16 A. Uh-huh.

17 ELIZABETH McCLANAHAN: Miss...I'll let Miss Hoch
18 answer that question as well.

19 A. Yes.

20 SANDRA RIGGS: I've had direct communications with
21 those...the escheat and the unclaimed property and the
22 Department of Treasury and I think they're unable...they do
23 not believe they have a interest in this tract. They think

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1 that it was a double assessment issue that created a title
2 fluke and they are going to go back through the Clerk's
3 Office and try to clarify that and get it cleaned up, but
4 they did not have a record of ownership in this particular
5 tract. But they'll...they'll deal with that separately.
6 They're not objecting to this pooling application.

7 BENNY WAMPLER: Any other questions?

8 MAX LEWIS: You've got one thing in here on your
9 resume that I don't see in a lot of resumes. It says you
10 have a good relationship with the surface owners. We don't
11 usually have that.

12 A. Well, we...that's always been my feeling
13 that I think we always should have a good relationship with
14 the surface owners because you run into them time and time
15 again and if you can't get along with them, you will end up
16 hindering your operations later on.

17 BENNY WAMPLER: Any other questions?

18 CLYDE KEEN: Mr. Chairman.

19 BENNY WAMPLER: Mr. Keen.

20 CLYDE KEEN: Where exactly is this in Tazewell
21 County? I can't quite put it---

22 MICHAEL S. PRYOR: It's on Laurel Fork. It will be
23 Northeast of Richlands and Cedar Bluff.

24

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1 CLYDE KEEN: Northeast?

2 MICHAEL S. PRYOR: Northeast.

3 CLYDE KEEN: The Baptist Valley area?

4 MICHAEL S. PRYOR: North of there, near Harman, if
5 you can find Harman on the map anywhere.

6 CLYDE KEEN: Yeah.

7 BENNY WAMPLER: Any other questions?

8 (No audible response.)

9 BENNY WAMPLER: Call your next witness.

10 ELIZABETH McCLANAHAN: Michael Pryor.

11

12 MICHAEL S. PRYOR, SR.

13 having been duly sworn, was examined and testified as
14 follows:

15 QUESTIONS BY MISS McCLANAHAN:

16 Q. Mike, would you please state your full name
17 and address for the record?

18 A. Michael S. Pryor, Sr., Post Office Box 2134,
19 Abingdon, Virginia 24212.

20 Q. Would you please identify the exhibit mark
21 as Exhibit Four?

22 A. It's my resume.

23 Q. And does this resume reflect your
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1 educational background and work experience?

2 A. Yes, it does.

3 Q. And have you been previously qualified as an
4 expert witness before this Board?

5 A. Yes, I have.

6 ELIZABETH McCLANAHAN: Mr. Chairman, I submit Mr.
7 Pryor as an expert witness in regard to land matters.

8 BENNY WAMPLER: He's accepted.

9 Q. In your experience in obtaining leases in
10 Southwestern Virginia, are you familiar with the fair market
11 value for oil and gas leases in the unit area proposed for
12 the COGC 27R unit?

13 A. Yes.

14 Q. And approximately how many acres have you
15 leased in Southwestern Virginia?

16 A. Thousands of acres.

17 Q. What are the fair market value terms for an
18 oil and gas lease in this area for bonuses?

19 A. Dollar per acre.

20 Q. For delay rentals?

21 A. Dollar per acre.

22 Q. For royalties?

23 A. One-eighth (1/8).

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1 Q. And for shut in royalties?
2 A. Two (2) dollars.
3 Q. Two (2) dollars?
4 A. Per acre, excuse me.
5 Q. Okay. What would be the primary term for an
6 oil and gas lease in---?
7 A. One (1) to five (5) years.
8 Q. And that's in your experience in negating
9 oil and gas leases in Southwestern Virginia?
10 A. Right.
11 Q. Have you attempted to identify the R.L.
12 Vandyke heirs that are listed on Exhibit C of the
13 application?
14 A. Yes, I have.
15 Q. And how have you attempted to identify them?
16 A. By reviewing courthouse records and talking
17 to land owners, adjacent property owners.
18 Q. Have you also checked the records in the
19 public library?
20 A. Yes, I have. I have checked the...
21 researched the library records, courthouse records, and
22 talked on the ground of...I checked phone books of...just
23 have not been able to find any leads on any of these

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1 people...any R.L. Vandyke heirs.

2 Q. Have you also contacted the Commonweal

3 JIM KISER: It justifies the added expense of
4 producing a conventional gas?

5 ROBERT A. DAHLIN, II: That's correct. Right.

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8 ROBERT A. DAHLIN, II

9 having been duly sworn, was examined and testified as
10 follows:

11 QUESTIONS BY MR. KISER:

12 Q. Mr. Dahlin, you're employed by Equitable as
13 a production specialist?

14 A. That's correct.

15 Q. And you are familiar with the application
16 for this location/exception filed by EREC for well number
17 VAD-3765?

18 A. Yes, I am.

19 Q. In the event this location/exception was not
20 granted, would you project the estimated loss of reserves
21 resulting in waste?

22 A. Six hundred and fifty million (650,000,000)
23 cubic feet.

24

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1 Q. And that represents both the coalbed methane
2 gas and the conventional reserves?

3 A. That's correct.

4 Q. And what's the total depth of the
5 conventional well under the applicant's plan of development?

6 A. Six thousand four hundred and eighty-seven
7 (6,487) feet.

8 Q. And this will be sufficient to penetrate and
9 test common sources of supply in the subject formations?

10 A. Yes.

11 Q. And the applicant is requesting this
12 location and exception to cover conventional gas reserves to
13 include designated formations from surface to total depth
14 drilled?

15 A. That's correct.

16 Q. In your opinion, will the granting of this
17 location and exception be in the best interest of preventing
18 waste, protecting correlative rights, and maximizing the
19 recovery of the gas reserves underlying VAD-3752?

20 A. Yes.

21 JIM KISER: Nothing further of this witness at this
22 time, Mr. Chairman.

23 BENNY WAMPLER: Any questions from members of the
24

1 Board?

2 CLYDE KEEN: Does a two county line make any
3 difference, Mr. Chairman?

4 BENNY WAMPLER: None.

5 TOM FULMER: Makes a difference when you have to pay
6 that severance check.

7 BENNY WAMPLER: Any other questions?

8 JIM KISER: We just ask that the Board approve the
9 application as submitted.

10 MAX LEWIS: I make a motion we approve the
11 application presented.

12 BENNY WAMPLER: Motion to approve it.

13 CLYDE KEEN: Second.

14 BENNY WAMPLER: Motion and second. Any further
15 discussion?

16 (No audible response.)

17 BENNY WAMPLER: All in favor, signify by saying yes.

18 (All signify by yes.)

19 BENNY WAMPLER: All opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: We have approval. Thank you very
22 much.

23 JIM KISER: Thank you.

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1 BENNY WAMPLER: I remind the Board for next
2 month...Mr. Keen, I think you were out. Tom, did you say we
3 have twenty-four agenda items?

4 TOM FULMER: What we have, Mr. Chairman, we have
5 twenty-four petitions that have been filed. We also have
6 scheduled one proclamation from an escrow agent of questions
7 previously asked in the previous situation.

8 BENNY WAMPLER: Right.

9 TOM FULMER: Of those twenty-four, fifteen of them
10 are forced poolings. We have two appeals with respect to
11 decisions, three withdrawal of funds, and four by Equitable
12 (inaudible). I don't know if they're all---

13 JIM KISER: They're all forced poolings.

14 TOM FULMER: They're all forced poolings. So,
15 we...you have nineteen forced poolings, two appeals, and
16 three withdrawal of funds.

17 BENNY WAMPLER: We probably should, just for safety
18 sake, publish two day...that the meeting could go two days
19 and just have that on notice in case we need to do that. The
20 Board members just need to be aware, if you can make it, to
21 plan accordingly.

22 MASON BRENT: What's the date on that?

23 MAX LEWIS: Twenty-fourth day of March.

24

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1 BENNY WAMPLER: So it will be the twenty-fourth and
2 twenty-fifth.

3 TOM FULMER: It's the last week in March.

4 BENNY WAMPLER: And then we'll get back on the
5 routine schedule in April. Any other agenda items? Tom, did
6 you have anything else for the Board?

7 TOM FULMER: That's it, Mr. Chairman, except for
8 expense accounts.

9 BENNY WAMPLER: All right. Thank you very much.

10 JIM KISER: Thank you.

11

12

13 STATE OF VIRGINIA,

14 COUNTY OF BUCHANAN, to-wit:

15 I, SONYA MICHELLE BROWN, Court Reporter and Notary
16 Public for the State of Virginia, do hereby certify that the
17 foregoing Board Meeting was recorded by me on a tape
18 recording machine and later transcribed under my supervision.

19 Given under my hand and seal on this the 5th day
20 of March, 1998.

21

NOTARY PUBLIC

22

My commission expires August 31, 2001

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