

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

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7
8 May 19, 1998

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12 BOARD MEETING

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22 Reported by:
23 SONYA MICHELLE BROWN, Court Reporter
24 Rife & Associates
25

1 P. O. Box 798
2 Grundy, Virginia 24614
3 (540) 935-5257

4 BENNY WAMPLER: Good morning. My name is Benny
5 Wampler. I'm Deputy Director for the Department of Mines,
6 Minerals and Energy and Chairman of the Gas and Oil Board,
7 and I'll ask the Board to introduce themselves, starting with
8 Mr. Brent.

9 MASON BRENT: My name is Mason Brent. I'm from
10 Richmond and I represent the Gas and Oil Industry.

11 MAX LEWIS: Max Lewis, from Buchanan County, a
12 public member.

13 SANDRA RIGGS: I'm Sandra Riggs with the Office of
14 the Attorney General.

15 RICHARD GILLIAM: Richard Gilliam of Abingdon, a
16 coal industry representative.

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

19 BENNY WAMPLER: Folks, those of you that are in
20 sitting in the back, feel free to move up front. We're
21 trying to talk over air conditioners and the acoustics aren't
22 the best in the world, so feel free to move up were you can
23 here. We'll do our best to speak up. The first nine items
24 that were listed in the paper on the agenda today have been

1 withdrawn or continued. Actually, the second item, Mr.
2 Christian, was continued till next month. The other items
3 one and then three through nine are withdrawn. So, the first
4 item on today's agenda, we will start with the Board's agenda
5 item number ten.

6 The Gas and Oil Board will consider a petition from
7 Equitable Resources Energy Company, for pooling of a
8 conventional gas unit identified as V-3808 and this is docket
9 number GOB-98-04/21-0664, which was continued from April.
10 We'd ask the parties that wish to address the Board in this
11 matter to come forward at this time and introduce themselves,
12 please.

13 JIM KISER: Mr. Chairman and members of the Board,
14 Jim Kiser on behalf of Equitable Resources Energy Company.
15 Our witnesses this morning in this matter will be Dennis
16 Baker and Mr. Bob Dahlin. I'd ask that they be sworn at this
17 time.

18 (Witnesses are duly sworn.)

19 BENNY WAMPLER: The record will show there are no
20 others. You may proceed.

21 JIM KISER: Our first witness will be Mr. Baker.

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1 DENNIS R. BAKER

2 having been duly sworn, was examined and testified as
3 follows:

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. KISER:

6 Q. Mr. Baker, would you state your name for the
7 record, who you're employed by and in what capacity?

8 A. My name is Dennis R. Baker. I'm employed by
9 Equitable Resources Energy Company as Senior Landman.

10 Q. And do your responsibilities include the
11 land involved in the drilling unit here and in the
12 surrounding area?

13 A. Yes, it does.

14 Q. Are you familiar with Equitable's
15 application for the establishment of a drilling unit and
16 seeking a pooling order for EQEC well number V-3808, dated
17 March 18th, 1998?

18 A. Yes, I am.

19 Q. And does Equitable own drilling rights in
20 the unit involved here?

21 A. Yes.

22 Q. And does the proposed unit, as depicted at
23 Exhibit A, include all acreage within twenty-five hundred
24

1 (2500) feet, that being a twelve hundred and fifty (1250)
2 foot radius of proposed well V-3808?

3 A. Yes.

4 Q. Now, Mr. Baker, prior to filing the
5 application, were efforts made to contact each of the
6 respondents in an attempt made to work out an agreement
7 regarding the development of the unit involved?

8 A. Yes.

9 Q. What was the interest of Equitable within
10 the unit at the time of the application?

11 A. The interest leased at the time of
12 application was 76.07 percent.

13 Q. Now, subject to the...subsequent to the
14 filing of the application, have you continued to attempt to
15 reach an agreement with the respondents listed in Exhibit B?

16 A. Yes.

17 Q. And as a result of those efforts, have you
18 obtain additional leases, and as a result of that, have you
19 handed the Board a revised Exhibit B to go along with this
20 application?

21 A. Yes.

22 Q. Okay. At this time, could you point out for
23 the Board the additional leases that have been obtained by
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1 Equitable subsequent to the filing of the application?

2 A. Yes, on the revised Exhibit B, beginning on
3 page two listed as Tract Number Eight, all of the respondents
4 on page two are now a leased interest; on page three, all of
5 the respondents are now a leased interest; on page four,
6 second and third entries, Helen Crawford and Mike Crawford,
7 husband and wife, are now leased; Joyce Duff and Dennis Duff
8 are now leased.

9 Q. Okay. As a result of these additional
10 leases, could you state for the Board now what the current
11 percentage of the unit that is under lease to Equitable?

12 A. The current interest leased to Equitable is
13 80.93 percent.

14 Q. And the percentage that remains unleased?

15 A. The unleased portion is 19.07 percent.

16 Q. Okay. And are all the unleased parties set
17 out at the revised Exhibit B?

18 A. Yes, they are.

19 Q. And were efforts made to determine if the
20 individual respondents were living or deceased or their
21 whereabouts, and if deceased, were efforts made to determine
22 the names and addresses and whereabouts of the successors to
23 any deceased individual respondent?

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1 A. Yes.

2 Q. Are there any unknown heirs involved in this
3 unit, Mr. Baker?

4 A. No.

5 Q. Okay. In your professional opinion, was due
6 diligence exercised to locate each of the respondents named
7 herein?

8 A. Yes, it was.

9 Q. And are the addresses set out in the revised
10 Exhibit B the last known addresses for the respondents?

11 A. Yes, it is.

12 Q. Are you requesting this Board to force pool
13 all unleased interests listed in revised Exhibit B?

14 A. Yes.

15 Q. Does Equitable seek to force pool the
16 drilling rights of each individual respondent if living, and
17 if deceased, the unknown successor or successors to any
18 deceased individual respondent?

19 A. Yes.

20 Q. And are you familiar with the fair market
21 value of drilling rights in the unit here and in the
22 surrounding area?

23 A. Yes, I am.

24

1 Q. Could you advise the Board as the what those
2 are?

3 A. Yes, a five dollar (\$5) per acre
4 consideration, for a five year term, one-eighth of eight-
5 eighth royalty.

6 Q. Did you gain this familiarity by acquiring
7 oil and gas leases and other agreements involving the
8 transfer of drilling rights in the unit involved here and in
9 the surrounding area?

10 A. Yes.

11 Q. In your opinion, do the terms you have
12 testified to represent the fair market value of and the fair
13 and reasonable compensation to be paid for drilling rights
14 within this unit?

15 A. Yes.

16 Q. Now, as to the respondents listed in revised
17 Exhibit B who have not voluntarily agreed to lease, do you
18 recommend that the following options be granted to them with
19 respect to their ownership interest within the unit---

20 A. Yes.

21 Q. ---one, participation; two, a cash bonus of
22 five dollars (\$5) per net mineral acre plus a one-eighth of
23 eight-eighths royalty; three, in lieu of such cash bonus, a
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1 one-eighth of eight-eighths royalty share in the operation of
2 the well on a carried bases as a carried operator on the
3 following conditions: Such carried operator should be
4 entitled to the share of production from the tracts pooled
5 accruing to his interest exclusive of any royalty or
6 overriding royalty reserved in any leases, assignments
7 thereof or agreements relating thereto of such tracts, but
8 only after the proceeds applicable to his share equal - (A)
9 300 percent of the share of such costs applicable to the
10 interest of the carried operator of a leased tract or portion
11 thereof; or (B) 200 percent of the share of such costs
12 applicable to the interest of the carried operator of an
13 unleased tract or portion thereof?

14 A. Yes.

15 Q. Do you recommend the Board order provide
16 that election by respondents be in writing and sent to the
17 applicant at Equitable Resources Energy Company, Eastern
18 Region, P. O. Box 1983, Kingsport, Tennessee 37662, and sent
19 to the attention of Dennis R. Baker?

20 A. Yes.

21 Q. And should this be the address for all
22 communications with the applicant concerning the force
23 pooling order?

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1 A. Yes.

2 Q. Do you recommend that the order provide that
3 if no written elections is properly made by a respondent,
4 then such respondent shall be deemed to have elected to cash
5 royalty option in lieu of participation?

6 A. Yes.

7 Q. Should any unleased respondent be given
8 thirty days from the date of the recording of the order to
9 file written elections?

10 A. Yes.

11 Q. If an unleased respondent elects to
12 participate, should they be given forty-five days to pay the
13 applicant for the respondent's proportionate share of well
14 costs?

15 A. Yes.

16 Q. Does the applicant expect the party electing
17 to participate to pay in advance that party's share of
18 completed well costs?

19 A. Yes.

20 Q. Should the applicant be allowed a hundred
21 and twenty days following the recording or the recordation
22 date of the Board order, and thereafter annually on that
23 date, until production is achieved to pay or tender any cash
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1 bonus becoming due under the force pooling order?

2 A. Yes.

3 Q. Do you recommend that the order provide that
4 if the respondent elects to participate, but fails to pay the
5 respondent's proportionate share of well costs satisfactory
6 to the applicant for payment of well costs, the respondent's
7 election to participant should be treated as having been
8 withdrawn and void?

9 A. Yes.

10 Q. Do you recommend the force pooling order
11 provide that where a respondent elects to participate, but
12 defaults in regard to the payment of well costs, any cash sum
13 becoming payable to such respondent be paid within sixty days
14 after the last date on which such respondent could have been
15 paid or made satisfactory arrangements for the payment of the
16 well costs?

17 A. Yes.

18 Q. Do you recommend that the order provide that
19 if a respondent refuses to accept any payment due, including
20 any payment due under the order, or said payment cannot be
21 made to a party for any reason, or there's a title defect in
22 respondent's interest, that the operator create an escrow
23 account for the respondent's benefit until the money can be
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1 paid to the party or until the title defect to cured to the
2 operator's satisfaction?

3 A. Yes.

4 Q. And who should be named the operator under
5 the force pooling order?

6 A. Equitable Resources Energy Company.

7 JIM KISER: Nothing further of this witness at this
8 time, Mr. Chairman.

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

11 (No audible response.)

12 BENNY WAMPLER: I know in our packet, we have a
13 letter from Clement Younts, son of Lou Younts, are they
14 here...either of them?

15 (No audible response.)

16 BENNY WAMPLER: Okay. I just wanted to make sure
17 that folks did hear me when I said that, if you had an
18 interest in this and wanted to ask questions, to come forward
19 so you still have that opportunity.

20 BENNY WAMPLER: Call your next witness.

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ROBERT A. DAHLIN, II

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

QUESTIONS BY MR. KISER:

Q. Mr. Dahlin, if would state your name for record, who you are employed by and in what capacity?

A. My name is Robert A. Dahlin, II. I'm employed by Equitable Resources Energy Company, Eastern Region, as a Production Specialist.

Q. And you've testified before the Virginia Gas and Oil Board on many other occasions and your qualifications as an expert witness in the area of production and operations have been accepted by the Board?

A. That's correct.

Q. And do your responsibilities include the land involved here and in surrounding area?

A. Yes.

Q. Are you familiar with the proposed plan of exploration for V-3808?

A. Yes, I am.

Q. And what is the total depth of the proposed well under the applicant's plan of development?

A. Fifty-four hundred and forty-five (5445)

1 feet.

2 Q. Will this be sufficient to penetrate and
3 test the common sources of supply in the subject formations?

4 A. Yes.

5 Q. Is the applicant requesting the force
6 pooling of conventional gas reserves, not only to include the
7 designated formations, but any other formations, excluding
8 coal formations, which may be between those formations
9 designated from the surface to the total depth drilled?

10 A. That's correct.

11 Q. And what are the estimated reserves of the
12 unit for 3808?

13 A. Five hundred and fifty million (550,000,000) cubic feet.

14 Q. And are you familiar with the well costs for the proposed well
15 under the plan of development?

16 A. Yes, I am.

17 Q. Has an AFE been reviewed, signed and submitted to the Board
18 along with the application?

19 A. Yes.

20 Q. Was this AFE prepared by an engineering department
21 knowledgeable in the preparation of AFEs and knowledgeable in regard to well costs in this
22 particular area?

23 A. Yes, it was.

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1 Q. In your professional opinion, does this AFE represent a reasonable
2 estimate of the well costs for the well under the proposed plan of development?

3 A. Yes.

4 Q. At this time, could you state for the Board both the dry hole costs
5 and completed well costs for V-3808?

6 A. The dry hole costs are one hundred fifty-one thousand nine
7 hundred dollars (\$151,900), with the completed well cost of two hundred and ninety-two
8 thousand dollars (\$292,000).

9 Q. And do these costs anticipate a multiple completion?

10 A. Yes.

11 Q. And does AFE include a reasonable charge for supervision?

12 A. Yes.

13 Q. Mr. Dahlin, in your professional opinion, will the granting of this
14 application be in the best interest of conservation, the prevention of waste and the
15 protection of correlative rights?

16 A. Yes, it would.

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

18 BENNY WAMPLER: Any questions from members of the Board?

19 MASON BRENT: Can you show me on this plat where the access road to
20 this well is?

21 ROBERT A. DAHLIN, II: I have no knowledge of the access road.
22 Dennis, do you?

23 DENNIS R. BAKER: No, I don't. It would be in the permit application.

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1 TOM FULMER: We don't have that. We don't have a permit application
2 on this particular well.

3 BENNY WAMPLER: Any other questions from members of the Board?
4 (No audible response.)

5 BENNY WAMPLER: Mr. Brent, were you getting at to whether or not they
6 were crossing unleased property or anything like that?

7 MASON BRENT: Yeah, yeah. Well, my concern was with regard---.

8 BENNY WAMPLER: The letter.

9 MASON BRENT: ---yeah, Miss Younts, who is not here. I wish she were
10 here, but---.

11 BENNY WAMPLER: Right.

12 JIM KISER: I think Mr. Baker can address that.

13 DENNIS R. BAKER: There's...there's no surface disturbance or access
14 going across the property owned by the Younts family.

15 MASON BRENT: There is not?

16 DENNIS R. BAKER: No.

17 MASON BRENT: That gets it.

18 BENNY WAMPLER: Any other questions?
19 (No audible response.)

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

22 MASON BRENT: Mr. Chairman, I...again, I wish Miss Younts or a
23 representative were here to speak for her, but short of that, I would move that we grant the
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1 application.

2 BENNY WAMPLER: Just trying to verify, Miss Younts is not here, is that
3 correct?

4 (No audible response.)

5 BENNY WAMPLER: Okay. I have a motion to approve.

6 MAX LEWIS: I second it.

7 BENNY WAMPLER: Motion and second. Any further discussion?

8 (No audible response.)

9 BENNY WAMPLER: All if favor, signify by saying yes.

10 (All members indicate in the affirmative.)

11 BENNY WAMPLER: Opposed, say no.

12 (No audible response.)

13 BENNY WAMPLER: You have approval. Thank you.

14 The next item on the agenda the Board will consider a petition from
15 Equitable Resources Energy Company, for pooling of a coalbed methane gas unit identified
16 as VC-2539. This is docket number GOB-98-05/19-0665. We'd ask the parties that wish
17 to address the Board in this matter to come forward at this time.

18 JIM KISER: Mr. Chairman and members of the Board, Jim Kiser on behalf
19 of Equitable Resources Energy Company. Once again our witnesses will be Dennis Baker
20 and Mr. Bob Dahlin. I'll remind them that they're under oath.

21 BENNY WAMPLER: The record will show there are no others. You may
22 proceed.

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1 DENNIS R. BAKER
2 having been duly sworn, was examined and testified as
3 follows:

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. KISER:

6 Q. Mr. Baker, could you again state your name
7 for the record and who you are employed by?

8 A. My name is Dennis R. Baker. I'm employed by
9 Equitable Resources Energy Company as Senior Landman.

10 Q. And do your responsibilities include the
11 land involved here and in the surrounding area?

12 A. Yes, they do.

13 Q. And are you familiar with Equitable's
14 application for a...seeking a pooling order for Equitable
15 well number VC-2539, which is dated April 15, 1998?

16 A. Yes.

17 Q. Is Equitable seeking to force pool the
18 drilling rights underlying the unit as depicted at Exhibit A
19 to the application?

20 A. Yes.

21 Q. Does this particular location proposed for
22 well number VC-2539 fall within the Board's order for the
23 Roaring Fork coalbed gas field?

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1 A. Yes, it does.

2 Q. And prior to the filing of the application,
3 were efforts made to contact each of the respondents in an
4 attempt made to work out an agreement regarding the
5 development of the unit involved made?

6 A. Yes.

7 Q. And does Equitable own drilling rights in
8 the unit involved?

9 A. Yes, we do.

10 Q. What is the interest of Equitable in the gas
11 estate within the unit?

12 A. The interest leased to Equitable in the gas
13 estate is 91.76 percent.

14 Q. What is the interest of Equitable in the
15 coal estate within the unit?

16 A. The interest in the coal estate leased is
17 100 percent.

18 Q. Are all unleased parties set out in Exhibit
19 B?

20 A. Yes, they are.

21 Q. And subsequent to the filing of your
22 application, have you continued to attempt to reach an
23 agreement with any of the unleased respondents listed in
24

1 Exhibit B?

2 A. Yes.

3 Q. As a result of these efforts, have you been
4 able to obtain any additional leases?

5 A. No, we have not.

6 Q. So, at this point in time, what is the
7 percentage of the gas estate within the unit that remains
8 unleased?

9 A. 8.24 percent.

10 Q. Were efforts made to determine if the
11 individual respondents were living or deceased or their
12 whereabouts, and if deceased, were efforts made to determine
13 the names and addresses and whereabouts of the successors to
14 any deceased individual respondents?

15 A. Yes.

16 Q. Now, there are unknown heirs involved in
17 this unit, correct?

18 A. Yes, there is.

19 Q. Were reasonable and diligent efforts made
20 and sources checked to identify and locate these unknown
21 heirs including primary sources such as deed records, probate
22 records, assessor's records, treasurer's records and
23 secondary sources such telephone directories, city

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1 directories, family and friends?

2 A. Yes.

3 Q. And Mr. Baker, in your professional opinion,
4 was due diligence exercised to locate each of the respondents
5 named in Exhibit B?

6 A. Yes, it was.

7 Q. And are the addresses set out in Exhibit B
8 to the application the last known addresses for the
9 respondents?

10 A. Yes.

11 Q. And are you requesting this Board to force
12 pool all unleased interest listed in Exhibit B?

13 A. Yes.

14 Q. Does Equitable seek to force pool the
15 drilling rights of each individual respondent if living, and
16 if deceased, the unknown successor or successors to any
17 deceased individual respondent?

18 A. Yes.

19 Q. Are you familiar with the fair market value
20 of drilling rights in the unit involved here and in the
21 surrounding area?

22 A. Yes, I am.

23 Q. Could you advise the Board as to what those
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1 are?

2 A. Yes, a five dollar (\$5) per acre
3 consideration, a five (5) year term, one-eighth of eight-
4 eighth royalty.

5 Q. And did you gain this familiarity by
6 acquiring oil and gas leases, coalbed methane leases and
7 other agreements involving the transfer of drilling rights in
8 the unit involved here and in the surrounding area?

9 A. Yes.

10 Q. And Mr. Baker, in your professional opinion,
11 do the terms you've testified to represent the fair market
12 value of and the fair and reasonable compensation to be paid
13 for drilling rights within this unit?

14 A. Yes.

15 JIM KISER: Mr. Chairman, at this time, I would ask
16 that the Board consider incorporating the testimony regarding
17 the election options afforded the unleased interest and
18 their...the various times for their making and responding to
19 these election options that was taken in GOB docket number
20 98-04/21-0664 be into this hearing.

21 BENNY WAMPLER: Okay. That will be .

22 Q. And Mr. Baker, do you recommend that the
23 order provide that if a respondent refuses to accept any
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1 payments due, including any payment due under the order, or
2 any payment of royalty or cash bonus could not be paid to a
3 party for any reason or there's a title defect in a
4 respondent's interest, or the respondent is an unknown heir,
5 or in the event of conflicting claims to the coalbed methane,
6 that the operator pay into an escrow account created by this
7 Board into which all costs or proceeds attributed to the
8 conflicting interest shall be held for the respondent's
9 benefit until such funds can be paid to the party by order of
10 this Board or until the title defect or conflicting claim is
11 resolved to the operator's satisfaction?

12 A. Yes.

13 Q. And who should be named the operator under
14 any force pooling order?

15 A. Equitable Resources Energy Company.

16 JIM KISER: No further questions of this witness at
17 this time, Mr. Chairman.

18 BENNY WAMPLER: Questions from members of the Board?

19 (No audible response.)

20 BENNY WAMPLER: Call your next witness.

21 ROBERT A. DAHLIN, II

22 having been duly sworn, was examined and testified as
23 follows:

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1 QUESTIONS BY MR. KISER:

2 Q. Mr. Dahlin, could you again state your name
3 for the Board, who you're employed by and in what capacity?

4 A. My name is Robert A. Dahlin, II. I'm
5 employed by Equitable Resources Energy Company, Eastern
6 Regional, as Production Specialist.

7 Q. And do your responsibilities include in the
8 land here and in the surrounding area?

9 A. That's correct.

10 Q. Are you familiar with the proposed plan of
11 exploration and development for VC-2539?

12 A. Yes.

13 Q. What is the total depth of the proposed well
14 under the plan of development?

15 A. Two thousand four hundred (2,400) feet.

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

18 A. Yes.

19 Q. What are the estimated reserves of the unit
20 of 25...VC-2539?

21 A. Four hundred million (400,000,000) cubic
22 feet.

23 Q. And are you familiar with the well costs for
24

1 the proposed well under the plan of development?

2 A. Yes.

3 Q. Has an AFE been reviewed, signed and
4 submitted to the Board along with the application?

5 A. Yes, it has.

6 Q. Was this AFE prepared by an engineering
7 department knowledgeable in the preparation of the AFE's and
8 knowledgeable in regard to well costs in this particular
9 area?

10 A. Yes.

11 Q. And in your professional opinion, does this
12 AFE represent a reasonable estimate of the well costs for the
13 proposed well under the plan of development?

14 A. Yes, it does.

15 Q. Could you state for the Board both the dry
16 hole costs and completed well costs for VC-2539?

17 A. The dry hole costs are sixty-nine thousand
18 seven hundred dollars (\$69,700), and the completed well costs
19 are one hundred and seventy-five thousand seven hundred
20 dollars (\$175,700).

21 Q. Do these costs anticipate a multiple
22 completion?

23 A. Yes.

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1 Q. Does this AFE include a reasonable charge
2 for supervision?
3 A. Yes.
4 Q. Mr. Dahlin, in your professional opinion,
5 will the granting of this application be in the best interest
6 of conservation, the prevention of waste and the protection
7 of correlative rights?
8 A. Yes.
9 JIM KISER: Nothing further of this witness at this
10 time, Mr. Chairman.
11 BENNY WAMPLER: Any questions from members of the
12 Board?
13 MASON BRENT: I have one question, Mr. Chairman.
14 BENNY WAMPLER: Yes, Mr. Brent.
15 MASON BRENT: It's hard to tell from this plat, is
16 VC-2539 inside the window here?
17 DENNIS R. BAKER: Yes, it is.
18 MASON BRENT: It is?
19 DENNIS R. BAKER: Yes.
20 BENNY WAMPLER: Other questions?
21 (No audible response.)
22 BENNY WAMPLER: Do you have anything further?
23 JIM KISER: We'd ask the Board approve the
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1 application as submitted, Mr. Chairman.

2 MAX LEWIS: I make a motion we approve the
3 application as presented.

4 BENNY WAMPLER: We have a motion to approve.

5 MASON BRENT: I second.

6 BENNY WAMPLER: Seconded. Any further discussion?
7 (No audible response.)

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

10 (All members indicate in the affirmative.)

11 BENNY WAMPLER: Opposed, say no.
12 (No audible response.)

13 BENNY WAMPLER: You have approval.

14 The next item on the agenda is a petition from
15 Equitable Resources Energy Company, for a well location
16 exception for conventional gas unit gas unit identified as V-
17 3868. This is docket number GOB-98-05/19-0666. We'd ask the
18 parties that wish to address the Board in this matter to come
19 forward at this time, please.

20 JIM KISER: Mr. Chairman, Jim Kiser on behalf of
21 Equitable Resources Energy Company. Our witnesses in this
22 matter will be Mr. Don Hall and Mr. Bob Dahlin. I'd ask at
23 this time that Mr. Hall be sworn in.

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1 (Mr. Hall is duly sworn.)

2 JIM KISER: I just passed out an exhibit to the
3 Board...to this hearing, which is a letter from Mr. Keith
4 Horton, who is President of Penn Virginia Coal Company,
5 wherein he lays out their acceptance of this location. They
6 are a 100 percent owner under this unit, and because of their
7 mining operations in the area, this is the location that they
8 would approve and this is what the gist of Mr. Hall's
9 testimony will be.

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11 DON HALL

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

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. KISER:

16 Q. Mr. Hall, could you state your name, who you
17 are employed by and in what capacity for the Board?

18 A. I'm Don Hall. I'm with Equitable Resources
19 Energy, as District Landman.

20 Q. And your qualifications on many occasions
21 have been accepted by the Board as a expert witness in land
22 matters?

23 A. Yes, they have.

24

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1 Q. And do your responsibilities include the
2 land involved here and in the surrounding area?

3 A. Yes.

4 Q. Are you familiar with the application
5 seeking a location exception for well V-3868?

6 A. Yes...yes, I am.

7 Q. Have all interested parties been notified as
8 required by Section 4B of the Virginia Gas and Oil Board
9 Regulations?

10 A. Yes, they have.

11 Q. Would you set out for the Board at this time
12 the ownership of the oil and gas underlying the unit for well
13 number V-3868?

14 A. Penn Virginia Resources is a 100 percent
15 owner.

16 Q. And does Equitable Resources Energy Company
17 have the right to operate any reciprocal wells, that being
18 the wells from which we're seeking an exception?

19 A. Yes, we do.

20 Q. And are there any correlative rights issues?

21 A. This is in the heart of Penn Virginia
22 property, so there's not any other properties anywhere in the
23 immediate area that's not owned by Penn Virginia and we have
24

1 it all under lease.

2 Q. And Mr. Hall, in conjunction with the letter
3 that Mr. Horton prepared, can you explained for the Board the
4 reasons why we're before them seeking this location
5 exception?

6 A. Well, normally in drilling wells on Penn
7 Virginia property, we...we have to take into account their
8 mining operations and work with them in locating these wells
9 and this well is where they...is in an area that would not
10 interfere with their mining operations, as stated in the
11 letter that Mr. Horton has written.

12 Q. So, this is the location that they have
13 approved?

14 A. Yes, this is the location they have given
15 us...specified that we need to...where we need to drill the
16 well.

17 JIM KISER: No further questions of this witness at
18 this time, Mr. Chairman.

19 BENNY WAMPLER: Any questions from members of the
20 Board?

21 (No audible response.)

22 BENNY WAMPLER: Is Penn Virginia the surface owner
23 of all this tract?

24

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1 DON HALL: Yes, sir.

2 JIM KISER: Yeah, it's a fee tract.

3 BENNY WAMPLER: Do you have anything?

4 (No audible response.)

5 BENNY WAMPLER: Call your next witness.

6

7 ROBERT A. DAHLIN, II

8 having been duly sworn, was examined and testified as

9 follows:

10 QUESTIONS BY MR. KISER:

11 Q. Mr. Dahlin, state your name for the Board,
12 who you are employed by and in what capacity?

13 A. Robert A. Dahlin, II. I'm employed by
14 Equitable Resources Energy Company, Eastern Region, as
15 production specialist.

16 Q. And you are familiar with the application
17 for the location exception here?

18 A. Yes.

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

22 A. Approximately five hundred and fifty million
23 (550,000,000) cubic feet.

24

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1 Q. And the total depth of the well under the
2 applicant's plan of development?

3 A. Five thousand four hundred and fifty
4 (5,450).

5 Q. Will this be sufficient to penetrate and
6 test the common sources as supplied in the subject
7 formations?

8 A. Yes.

9 Q. Is the applicant requesting this location
10 exception cover conventional gas reserves to include the
11 designated formations from surface to total depth drilled?

12 A. Yes, we are.

13 Q. And in your opinion, will the granting of
14 this location exception be in the best interest of preventing
15 waste, protecting correlative rights, and maximizing the
16 recovery of the gas reserves underlying V-3868?

17 A. That's correct.

18 JIM KISER: I might add, Mr. Chairman, too, that
19 we're seeking a loc...an exception from another Equitable
20 well and it's a exception of eighty-seven (87) in this case.
21 And I have no further questions of this witness at this time.

22 BENNY WAMPLER: Any questions from members of the
23 Board?

24

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1 RICHARD GILLIAM: I'd like...I have a question. I'm
2 curious as to where this well is---.

3 BENNY WAMPLER: Mr. Gilliam.

4 RICHARD GILLIAM: ---where it's located. I can't
5 ever tell anything by this map. Is there a location or---?

6 ROBERT A. DAHLIN, II: All right. It's probably
7 about five and a half miles northwest of the Town of
8 Appalachia. Well, just by a point of reference, this is a
9 seven and half minute quadrangle. The locations...both
10 locations we're going to be talking about here are in this
11 area, you can see are not covered by black dots currently,
12 that's an oil and gas symbol.

13 BENNY WAMPLER: When you're saying this area, tell
14 us what---.

15 ROBERT A. DAHLIN, II: Okay. Here is Appalachia.

16 BENNY WAMPLER: Okay.

17 ROBERT A. DAHLIN, II: Okay. And this is an inch to
18 two thousand (2000) feet. So, that's two miles, so that's no
19 further than five miles northwest of Appalachia. All we're
20 attempting to do...this is...all of the other wells in this
21 area are our wells and we're attempting to fill in this
22 little gap here. We have been unable to drill wells.

23 RICHARD GILLIAM: I guess the question I had, is
24

1 this a request to disregard Penn Virginia's request that you
2 be offset or---?

3 JIM KISER: No. No, no, no.

4 SANDRA RIGGS: Unh-unh. Unh-unh.

5 RICHARD GILLIAM: ---what is that?

6 JIM KISER: This...this is a request for a location
7 exception from another Equitable well and this is Penn
8 Virginia signing off on that location. They chose the
9 location themselves.

10 RICHARD GILLIAM: So, you're agreeing with Penn
11 Virginia on this?

12 JIM KISER: Right. Exactly.

13 ROBERT A. DAHLIN, II: Yeah.

14 RICHARD GILLIAM: Which is---.

15 JIM KISER: All we did---.

16 ROBERT A. DAHLIN, II: All we've had...basically,
17 we've had to go slightly under State's spacing from one of
18 our own wells in order to accommodate their request to stay
19 away from interfering with their coal operations.

20 RICHARD GILLIAM: So, there's no real conflicts here
21 with anyone?

22 JIM KISER: No, this is an accommodation to Penn
23 Virginia.

24

--

1 MASON BRENT: I may not have heard you correctly,
2 did you say that there was another well in addition to 1002
3 there?
4 JIM KISER: The next one on the docket is right in
5 the same area.
6 MASON BRENT: Oh, okay.
7 ROBERT A. DAHLIN, II: It is in the same area.
8 We're just attempting to in fill our development in this
9 field.
10 MASON BRENT: And on this one, you're eighty-seven
11 (87) feet short of twenty-five hundred (2500).
12 ROBERT A. DAHLIN, II: Of one---.
13 DON HALL: Right.
14 ROBERT A. DAHLIN: ---from State spacing from one
15 of our own wells.
16 MASON BRENT: From one of your own wells?
17 ROBERT A. DAHLIN, II: Right.
18 BENNY WAMPLER: Any other questions?
19 (No audible response.)
20 BENNY WAMPLER: Do you have anything further?
21 JIM KISER: Nothing further, Mr. Chairman, other
22 than we'd ask that the application be approved as submitted.
23 BENNY WAMPLER: Do I have a motion?

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1 MAX LEWIS: I make a motion that we approve the
2 application.

3 BENNY WAMPLER: We have a motion to approve.

4 MASON BRENT: Second.

5 BENNY WAMPLER: Second. Any further discussion?
6 (No audible response.)

7 BENNY WAMPLER: All in favor, signify by saying yes.
8 (All members indicate in the affirmative.)

9 BENNY WAMPLER: Opposed, say no.
10 (No audible response.)

11 BENNY WAMPLER: You have approval.

12 The next item on the agenda is a petition from
13 Equitable Resources Energy Company for a well location
14 exception for conventional gas unit identified as V-2433.
15 This is docket number GOB-98-05/19-0667. We'd ask the
16 parties that are interested in this to come forward at this
17 time, please.

18 JIM KISER: Mr. Chairman and members of the Board,
19 Jim Kiser on behalf of Equitable Resources Energy Company.
20 Our witnesses in this matter will be the same. This is
21 a...almost a mirror image of the location exception just
22 requested on 3868.

23 BENNY WAMPLER: Okay. The record will show there
24

1 are no others. You may proceed.

2 JIM KISER: I'll give the Board a second to review
3 the letter that we just submitted as an exhibit and then we
4 will start with our testimony.

5 (Board members review exhibit.)

6 JIM KISER: This once again is a well that we're
7 drilling on Penn Virginia fee tract in which they have...in
8 order to accommodate them, we have...are seeking a location
9 exception in a location that will not interfere with their
10 coal mining operations.

11

12 DON HALL

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

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. KISER:

17 Q. Mr. Hall, if you would you state your name,
18 who you are employed by and in what capacity?

19 A. I'm Don Hall. I'm employed by Equitable
20 Resources Energy, as District Landman.

21 Q. And your qualifications as an expert witness
22 in land matters have been previously accepted by the Board on
23 many occasions?

24

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1 A. Yes, they have.

2 Q. And do your responsibilities include the
3 land involved here and in the surrounding area?

4 A. They do.

5 Q. Are you familiar with the application we
6 have submitted seeking a location exception for well V-2433?

7 A. Yes.

8 Q. Have all interested parties been notified as
9 required by Section 4B of the Virginia Gas and Oil Board
10 Regulations?

11 A. Yes.

12 Q. And would you set out for the Board at this
13 time the ownership of the oil and gas underlying the unit for
14 well number V-2433?

15 A. This is also a Penn Virginia Resources tract
16 owned by...owned a 100 percent...the unit is a 100 percent.
17 It's also a Penn Virginia fee tract.

18 Q. And does Equitable have the right to operate
19 the reciprocal wells, those wells being V-2437 and well 1004?

20 A. Yes, we do.

21 Q. And this once again, is in the middle of the
22 Penn Virginia property that's all under lease to Equitable?

23 A. Yes, it is.

24

1 Q. So, there are no correlative rights issues?

2 A. No, there isn't.

3 Q. And Mr. Hall, could you explain for the
4 Board again, in conjunction with the letter that we've passed
5 out to the Board, again, sort of why we're seeking this
6 location exception?

7 A. Well, again, we have a letter from Keith
8 Horton, the President of Penn Virginia, stating that this
9 location is the only location that...the only place that we
10 can put this location that would not interfere with their
11 mining operations and, you know, the letter basically states
12 that.

13 Q. So, this is the location they specifically
14 requested?

15 A. It is, yes.

16 JIM KISER: Nothing further of this witness of this
17 witness at this time, Mr. Chairman.

18 BENNY WAMPLER: Any questions from members of the
19 Board of this witness?

20 (No audible response.)

21 BENNY WAMPLER: Call your next witness.

22

23 ROBERT A. DAHLIN, II

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1 having been duly sworn, was examined and testified as
2 follows:

3 QUESTIONS BY MR. KISER:

4 Q. Mr. Dahlin, could if you state your name,
5 again, who you are employed by and in what capacity?

6 A. Robert A. Dahlin, II. I'm employed by
7 Equitable Resources Energy Company, Eastern Region, as a
8 production specialist.

9 Q. And you are familiar with the application
10 that we filed seeking this location exception for V-2433?

11 A. Yes.

12 Q. In the event this location exception would
13 not granted, would you project the estimated loss of reserves
14 that would result in waste?

15 A. Five hundred and fifty million (550,000,000)
16 cubic feet.

17 Q. And what is the total depth of this proposed
18 well under the plan of development?

19 A. Five thousand five hundred and twenty-five
20 (5,525).

21 Q. Will this be sufficient to penetrate and
22 test the common sources of supply in the subject formations?

23 A. Yes.

24

--

1 Q. Is the applicant requesting this location
2 exception cover conventional gas reserves to include the
3 designated formations from the surface to total depth
4 drilled?

5 A. Yes.

6 Q. Could you explain where this will is in
7 relation to 3868?

8 A. Okay. This is the....this is the south
9 eastern offset, basically, to the last application. The
10 original location we applied...or were trying to work out was
11 up in here and we've had to move it to this area in order to
12 accommodate Penn Virginia's mining operations. Again, it's
13 northwest of Appalachia and very near the Town of Derby or
14 Community of Derby.

15 Q. And Mr. Dahlin, in your professional
16 opinion, will the granting of this location exception be in
17 the best interest of preventing waste, protecting correlative
18 rights, and maximizing the recovery of the gas reserves
19 underlying the unit for V-2433?

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 (No audible response.)

3 BENNY WAMPLER: Do you have anything further?

4 JIM KISER: We'd ask the Board to approve this

5 application as submitted, Mr. Chairman.

6 MASON BRENT: I have one...one question, Mr.

7 Chairman. Exactly what is on this plat...this stenego

8 eighteen and nineteen.

9 DON HALL: It's a control...survey control points.

10 MASON BRENT: Survey control points.

11 DON HALL: It's triangulation stations.

12 BENNY WAMPLER: Do I have a motion?

13 MASON BRENT: Mr. Chairman, I'd move that we approve

14 the application.

15 BENNY WAMPLER: Motion to approve.

16 MAX LEWIS: I second it.

17 BENNY WAMPLER: Second. Any further discussion?

18 (No audible response.)

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

20 (All members indicate in the affirmative.)

21 BENNY WAMPLER: Opposed, say no.

22 (No audible response.)

23 BENNY WAMPLER: You have approval. Thank you very

24

1 much.

2 JIM KISER: Thank you, Mr. Chairman.

3 BENNY WAMPLER: We'll take about a five minute break
4 here while they get set up for the next series.

5 (Off record)

6 BENNY WAMPLER: Okay. We'll go ahead and continue.
7 The next item on the agenda is a petition from Torch Energy
8 Advisors, , Consolidation Coal Company and Pocahontas Gas
9 Partnership for Board orders issued for unit BUS1 to amend
10 those orders related to this unit concerning escrowing of
11 funds. This is docket number GOB-91-07/16-0136-01. We'd ask
12 the parties that wish to address the Board in this matter to
13 come forward at this time.

14 JILL HARRISON: Mr. Chairman and members of the
15 Board, my name is Jill Harrison. Today I am representing
16 Consolidation Coal Company, Pocahontas Gas Partnership and
17 Torch Energy Advisors Incorporated on this application. This
18 is a petition for the withdrawal of escrowed funds. With me
19 today is Mr. Bob Looney who will be my witness.

20 (Witness is duly sworn.)

21 BENNY WAMPLER: The record will show there are no
22 others. You may proceed.

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BOB LOONEY

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

DIRECT EXAMINATION

QUESTIONS BY MISS HARRISON:

Q. Please state your name for the record.

A. I'm Bob Looney.

Q. And Mr. Looney, do you perform work for Consolidation Coal Company and Pocahontas Gas Partnership?

A. Yes, I do.

Q. And do your responsibilities for those companies include maintaining information with regard to ownership interest and conflicting interest within the BUS1 unit?

A. Yes.

Q. And do Consolidation Coal Company and PGP claim the ownership of the oil and gas underlying certain tracts within this unit?

A. Yes, they do.

Q. And does the application for the BUS1 unit filed in this matter correctly set forth those ownership interest?

A. Yes.

1 Q. And since this unit was force pooled, have
2 PGP and/or Consolidation Coal Company acquired additional
3 interests in this unit?

4 A. Yes, they have.

5 Q. And if you would look at the exhibit book
6 and Exhibit Number Three, does this list identify the
7 interests that have been acquired by PGP or transferred
8 between PGP and Consol?

9 A. Yes, it does.

10 Q. And are the deeds that are attached to this
11 list and shown the deeds by which you have acquired these
12 additional interests?

13 A. Yes, that's correct.

14 Q. And to your knowledge, does Hugh McRae Land
15 Trust claim the ownership of the coal underlying the tracts
16 involved in this unit, which are tracts one, eight, eighteen
17 and sixteen?

18 A. Yes.

19 Q. And if you would, if you'd look at Exhibit
20 Five, is it...or to your knowledge, has Hugh McRae Land Trust
21 conveyed their interest in the royalty related to the
22 production of coalbed methane from these tracts to Torch
23 Energy?

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1 A. Yes, they have.

2 Q. And is the agreement that is attached to the
3 affidavit at Exhibit Five the instrument by which they did
4 so?

5 A. Yes.

6 Q. And have PGP, Consol, Hugh McRae and Torch
7 Energy entered into this agreement so that they can set forth
8 how they wish the escrowed royalties and future royalties to
9 be divided and paid?

10 A. Yes, they have.

11 Q. And based on this agreement, are PGP and
12 Consol asking the Board to amend its orders to reflect that
13 PGP, Consol, Hugh McRae and Torch Energy are no longer
14 conflicting claimants in this unit?

15 A. That's correct.

16 Q. And are PGP and Consol asking, as well as
17 Torch Energy, asking the Board to enter an order directing
18 the escrow agent and the operator to account for the funds
19 that have been deposited and to pay PGP, Consol and Torch
20 Energy as set forth in that agreement?

21 A. Yes.

22 JILL HARRISON: We have previously filed with the
23 oil and gas inspector's office an affidavit setting forth the

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1 publication that has been made, as well as the listing and
2 copies of the certified, the receipts that we have received
3 and copies of those are included in your exhibit book as
4 items number seven and eight. And I have no questions...no
5 further questions for Mr. Looney.

6 BENNY WAMPLER: Any questions from members of the
7 Board of Mr. Looney?

8 MASON BRENT: In your Exhibit Three, for
9 identification of conflicting tracts, I thought I heard you
10 mention tracts one, eight, eighteen and sixteen.

11 JILL HARRISON: Tract one was included in the
12 original force pooling action as an interest already owned by
13 Consol and PGP and this is a list of additional tracts that
14 they've picked up.

15 MASON BRENT: Okay.

16 JILL HARRISON: Additional interest or in...under
17 tract eighteen there's been a conveyance between PGP and
18 Consol where a portion of that interest was conveyed from
19 Consol to PGP. The header on that is a little misleading. I
20 apologize.

21 BENNY WAMPLER: Any other questions from members of
22 the Board?

23 (No audible response.)

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1 BENNY WAMPLER: Do you have anything further?

2 JILL HARRISON: Mr. Chairman, I would ask that our
3 petition for relief be granted.

4 BENNY WAMPLER: Do I have a motion?

5 MASON BRENT: Mr. Chairman, if we have satisfied all
6 of Sandy's concerns from previously, I'd---.

7 SANDRA RIGGS: I think what we discussed last time
8 was that they would file amended supplemental orders for
9 recording in the public records in order to pull all of this
10 together in a single schedule for the entire unit; and then
11 once that was done, we would have a cut off date for deposit
12 into escrow; and that the accounting would be through that
13 cut off date so that we don't have to keep repeating the
14 accounting.

15 MASON BRENT: Right.

16 SANDRA RIGGS: Those are the two things that I
17 recall that the last approvals were conditioned on. Do you
18 have a cut off date? Do you know when you would propose to
19 start paying direct under the settlement agreement?

20 BOB LOONEY: The month...the ones we heard last
21 month we were going to cut off this month. Okay, in May?

22 SANDRA RIGGS: Uh-huh.

23 BOB LOONEY: Okay. These then we'd need probably
24

1 thirty days from this---.

2 SANDRA RIGGS: June 25th.

3 BOB LOONEY: Yes.

4 MASON BRENT: The others were May 25th, is this---?

5 BOB LOONEY: Yes, May. Well, actually it works out

6 on the 22nd because of their account, you know, the holiday

7 on the 25th, so it comes back to the 22nd. So, it's when it

8 will be cut off, May the 22nd of this---.

9 JILL HARRISON: So, for these particular units, the

10 cut off would be June 25th?

11 BOB LOONEY: Will be June 25th, yes.

12 SANDRA RIGGS: Okay.

13 BOB LOONEY: That would be when the last check was

14 cut, but you know the production would be two months behind

15 that.

16 SANDRA RIGGS: So, the accountings will be through

17 that date---?

18 BOB LOONEY: Yes.

19 SANDRA RIGGS: ---through that check on deposit?

20 BOB LOONEY: Uh-huh. Right.

21 SANDRA RIGGS: Okay.

22 BOB LOONEY: And we're working on the supplemental

23 orders. I think I got four of them in Friday. So---.

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1 SANDRA RIGGS: The only other question I had was in
2 terms of disbursement. Are you still proposing to apply
3 percentage toward the amount on deposit? You know, it's the
4 issue that we discussed on the timing of when these monies
5 went on deposit and what interest would have accrued on them.

6 JILL HARRISON: What...what we would propose to do
7 is first depo...disburse the Garden Realty/Torch funds.
8 Those are the ones that were heard first. I have the
9 interest on those as far as the percentage that they would be
10 entitled to. Once those funds are disbursed, we would have
11 to recalculate the percentage because whoever is left would
12 have a higher percentage in a smaller amount of funds.

13 SANDRA RIGGS: Right.

14 JILL HARRISON: So, what we would prefer to do, if
15 agreeable with the Board, is to pay the Garden Realty/Hugh
16 McRae monies first and then to pick up the funds due under
17 the application you've heard the last two months and this
18 month. And then, of course, we will have the Coal Mountain,
19 Torch and Hugh McRae coming shortly. That way if we pay one
20 group's interest first out of all of the units, we won't have
21 to go back and recalculate for that group.

22 SANDRA RIGGS: Okay.

23 JILL HARRISON: And I understand the issue with
24
25

1 regard to the interest because...Miss Riggs and I have talked
2 about this, because some funds were deposited at different
3 times---?

4 BENNY WAMPLER: Right.

5 JILL HARRISON: ---a different amount of interest,
6 and I believe from talking to my clients, that it would be
7 agreeable with them, what you had suggested, that we could
8 pay the principal while we're trying to figure out what the
9 interest is because that does appear that it will be a time
10 consuming process.

11 SANDRA RIGGS: It's probably going to require an
12 itemization of deposits that went in, in order to calculate
13 the interest on it.

14 JILL HARRISON: And that's what I believe everybody
15 had originally asked for to begin with until we realized the
16 amount of work that it would entail.

17 BENNY WAMPLER: Now, I would think the companies
18 would have to present the date of deposit and the amount.
19 The bank then would take that and calculate the interest and
20 then you would have the disbursement amount.

21 JILL HARRISON: That makes perfect sense to me.

22 BENNY WAMPLER: I know it's not that easy. I mean,
23 I know they have difficulty providing all of that, that's a

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1 lot of detail. But---.

2 JILL HARRISON: Yeah, that's what I understand. I
3 mean, I, of course, had to step out of it because of the
4 conflict when this first started, but that was my
5 understanding what was requested from the very beginning of
6 all of this. Since last year, that's what's been requested
7 and everybody had decided we just want our money now, we'll
8 step back and withdraw the objection. But now it looks as if
9 that's going to have to be done any way, objection or not.

10 BENNY WAMPLER: And we have to make sure we're
11 protecting the interest of the other parties---.

12 JILL HARRISON: I understand.

13 BENNY WAMPLER: ---that are in there that are not
14 in agreement with this.

15 JILL HARRISON: I agree. I agree completely with
16 you.

17 BOB LOONEY: We requested the reports that, you
18 know, that we wanted, but when they got from (inaudible)
19 City, they were so complicated nobody couldn't figure them
20 out. So, we requested a little...little more detail until we
21 figure out what it is. So, we should be getting that before
22 long...until we can trace what into the bank. So---.

23 JILL HARRISON: And that's been part of the problem
24

1 is that the accounting system is not located here locally.

2 BOB LOONEY: Yeah. Hopefully, we can get it
3 straightened out.

4 SANDRA RIGGS: Well, I guess, you know, from my
5 point of view, I don't see a problem with accepting the
6 settlement and starting down the road toward disbursement and
7 the accounting is the first step...the cut off and the
8 accounting, so that you're authorizing them to commence
9 payment in accordance with the settlement and have a cut off
10 date and then once the money stops flowing into the escrow
11 account, we can go back and figure what's there, exactly when
12 it went in and what interest accrued on it, and that's an
13 accounting process. And if we run into problems, we can
14 always come back. But I don't see a problem...I see a
15 problem with ordering a disbursement until you know what it
16 is you're disbursing but not ordering the accounting. I
17 don't have a problem with the accounting.

18 MASON BRENT: Yeah, I mean, we're plowing new ground
19 here, I think, and these accounting calculations are all kind
20 setting precedent here. I just want to make sure that
21 something gets back here that we're comfortable with the
22 calculations and how it was determined what this disbursement
23 is going to be.

24

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1 BENNY WAMPLER: I think we're obligated to be
2 concerned about that.

3 MAX LEWIS: Yeah.

4 SANDRA RIGGS: So, what you're approving is the
5 payment direct and the...an order for accounting and then
6 when the accounting comes in, then you'll deal with the
7 disbursements?

8 MAX LEWIS: Shouldn't we have something in writing
9 on the accounting date?

10 SANDRA RIGGS: Well, the escrow---.

11 MAX LEWIS: And the cut off date.

12 BENNY WAMPLER: Well, we have that by testimony.

13 MAX LEWIS: Yeah, that's all. I know it.

14 SANDRA RIGGS: Yeah, off...the cut off.

15 BENNY WAMPLER: I mean, it's as good as having it in
16 writing.

17 MAX LEWIS: Okay. Yeah.

18 BENNY WAMPLER: He's under oath. We'll go with
19 that. It may be better. Anything further?

20 (No audible response.)

21 BENNY WAMPLER: Do you have a motion to approve?

22 MASON BRENT: Mr. Chairman, with those provisions,
23 I'd move that we grant this application.

24

1 MAX LEWIS: I second it.

2 BENNY WAMPLER: Any further discussion?

3 (No audible response.)

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

5 (All members indicate in the affirmative.)

6 BENNY WAMPLER: Opposed, say no.

7 (No audible response.)

8 BENNY WAMPLER: You have approval.

9 JILL HARRISON: Thank you.

10 BENNY WAMPLER: The next item is the Board will

11 consider a petition from Torch Energy Advisors Incorporated,

12 Consolidation Coal Company and Pocahontas Gas Partnership for

13 Board orders issued for unit B-U-N-1, or BUN1, to amend

14 orders related to this unit concerning escrowing of funds and

15 this is docket number GOB-91-07/16-0135-01. We'd ask the

16 parties that wish to address the Board in this matter to come

17 forward at this time, please.

18 JILL HARRISON: Mr. Chairman and members of the

19 Board, I'm Jill Harrison. On this application, I represent

20 Torch Energy Advisors, Consolidation Coal Company and

21 Pocahontas Gas Partnership. This is a petition for the

22 withdrawal of escrowed funds and my witness is Mr. Bob

23 Looney.

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1 BENNY WAMPLER: Okay. The record will show there
2 are no others. You may proceed with his testimony.

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4 BOB LOONEY
5 having been duly sworn, was examined and testified as
6 follows:

7 DIRECT EXAMINATION

8 QUESTIONS BY MISS HARRISON:

9 Q. Would you state your name for the record?

10 A. Bob Looney.

11 Q. And Mr. Looney, I believe you've previously
12 testified that you do perform work for Consolidation Coal
13 Company and Pocahontas Gas Partnership and that your
14 responsibilities include maintaining information with regard
15 to ownership in these units and conflicting tracts within
16 those units?

17 A. Yes.

18 Q. And do Consolidation Coal Company and PGP
19 claim the ownership of the oil and gas underlying certain
20 tracts within this unit?

21 A. Yes, they do.

22 Q. And does the application that was filed for
23 the BUN1 unit accurately reflect those ownership interests?

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1 A. Yes, with the exception of tract eleven in
2 which PGP is shown as owning 12.87871 percent. The percent
3 should actually be 12.75071. The ownership interest of
4 Buchanan County was incorrectly included and the amount is
5 listed in the application. We showed that as being
6 purchased, but it was actually leased from the...Buchanan
7 County.

8 Q. And have PGP and/or Consol acquired
9 additional interest in this unit since the unit was force
10 pooled?

11 A. Yes, they have.

12 Q. And if you would look at Exhibit Three for
13 the BUN1, are these...or is this a list of the additional
14 interest which has been...which have been acquired?

15 A. Yes. Yes, it is.

16 Q. And are the deeds that are included behind
17 Exhibit Three the source deeds for those interests?

18 A. Yes.

19 Q. And do we...do we need to correct a typo
20 from the original application?

21 A. In the...I believe the original application
22 showed V. H. Street Family Trust. That should be W. A.
23 Street Family Trust rather than V. H.

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1 Q. And to your knowledge, does Hugh McRae Land
2 Trust claim the ownership of the coal underlying tracts
3 eleven, twelve, thirteen, three and seven?

4 A. Yes, they do.

5 Q. And are these also tracts under which Hugh
6 McRae has conveyed its interest in the production of royalty
7 related to the coalbed methane to Torch Energy Advisors?

8 A. Yes.

9 Q. And are the instruments which are attached
10 in the exhibit book under Exhibits Five and Exhibits Four,
11 the instrument by which High McRae conveyed that interest to
12 Torch as well as the agreement and affidavit of Mr. Slage
13 that showed the agreement that's been reached between these
14 parties?

15 A. Yes, it is.

16 Q. And based on this agreement, are the
17 entities asking the Board to amend its orders to reflect that
18 PGP, Consol, Hugh McRae and Torch Energy are no longer
19 conflicting claimants in this unit?

20 A. Yes.

21 Q. And are those entities also asking the Board
22 to enter an order directing the escrow agent and the operator
23 to account for the funds that have been deposited in
24

1 connection with this unit and to also pay the funds in
2 accordance with that agreement?

3 A. Yes.

4 JILL HARRISON: I have no more questions for Mr.
5 Looney.

6 BENNY WAMPLER: Any questions from members of the
7 Board?

8 SANDRA RIGGS: We have four tracts at issue, seven,
9 eleven, twelve and thirteen.

10 JILL HARRISON: And three.

11 BOB LOONEY: I believe three was already listed,
12 wasn't it?

13 JILL HARRISON: Yeah. In the original application,
14 Consol already owns that interest.

15 BENNY WAMPLER: Other questions. What's your cut
16 off date for this one?

17 BOB LOONEY: It would be the same, be June 25th.

18 BENNY WAMPLER: June 25th cut off?

19 BOB LOONEY: Yes.

20 BENNY WAMPLER: Are we to have the same
21 understanding we did before, that all we're approving at this
22 point and time is the accounting?

23 JILL HARRISON: Yes, sir.

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1 BOB LOONEY: Okay.

2 JILL HARRISON: May I ask a question with regard
3 to...I am in complete agreement that the Board does need an
4 accounting before it can order the disbursement. Will that
5 entail another appearance at the hearings, or will this be
6 something that can be handle by connection or communication
7 between the Board? That's...I guess, that's my big concern
8 is about having to come back one more time on all of the
9 units that we've heard previously by just saying that you're
10 just approving the...the request for the accounting. I...I
11 completely agree you do need the accounting. Would it be
12 possible to, in thinking this through as you all have talked,
13 to approve the disbursements subject to the delivery of an
14 accounting that would adequately set out the amounts so that
15 it's to your satisfaction. I mean, I don't even mind if you
16 say that it would be to your satisfaction. I mean, that
17 places it solely in the Board's discretion.

18 SANDRA RIGGS: I think the Board can bring it back
19 on...on its motion to consider the accountings, but there's
20 no mechanism whereby they can reach satisfaction without
21 coming back together to do that.

22 JILL HARRISON: I mean, it couldn't be something
23 that's mailed and they're given a ballot that says or asked
24

1 to send back and say, yes we agree with this or approve it,
2 or anything like that. Okay. When you say bring it up on
3 its own motion, it would be listed on the docket.

4 SANDRA RIGGS: As a continuation of this docket,
5 right.

6 JILL HARRISON: Would it be something that I could
7 attend, because by that point in time, I'm assuming that we
8 would also be provided with those accountings to review
9 because that's a part of the mechanism that's been set up.
10 So, that...unless there was some problem with the accounting,
11 it would be sufficient for me to appear for the witnesses.

12 SANDRA RIGGS: Well, I don't think we'd need any
13 more---.

14 BENNY WAMPLER: We wouldn't need testimony at that
15 point.

16 SANDRA RIGGS: ---testimony.

17 JILL HARRISON: Okay. That's---.

18 SANDRA RIGGS: If the accountings are filed in
19 accordance with the order, it's just for the Board to look at
20 the accountings and reach consensus that they got sufficient
21 information to order a disbursement. You'll have your
22 amended supplemental orders on file.

23 JILL HARRISON: Right. I just...because this is the

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1 first time we've talked about...and previously when I've
2 talked to, you know, with several of you all trying to work
3 through this process, I had...I had received the indication
4 that it would be something that could be done without having
5 to appear again or not having to bring it back to the Board.
6 I'm not disagreeing that it's something that needs to be
7 done.

8 SANDRA RIGGS: Well, I think the way the original
9 orders were written is they...they set out a process where
10 the escrow agent would account and the operator would
11 account, and those would be deemed approved unless there was
12 an objection filed. And if there was an objection filed
13 within so many days, then it would come back to the Board for
14 further consideration.

15 JILL HARRISON: But we're going to change that
16 process now.

17 SANDRA RIGGS: Well, I think...yeah, we've had to
18 because of what's evolved out that process.

19 JILL HARRISON: I just want to be able to correctly
20 inform my clients because I'm dealing with people in Texas
21 and New York and North Carolina, and obviously, you know,
22 they are concerned about cost and, you know, trying to do
23 this as efficiently as possible.

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1 BENNY WAMPLER: Sure.

2 SANDRA RIGGS: Under the original application, it
3 was represented that you could just take a percentage and
4 apply it to what in escrow and that was going to be a simple
5 process. It turned out not to be that simple, which is what
6 has changed the process.

7 BENNY WAMPLER: Right.

8 BOB LOONEY: Well, I think some of the later units,
9 it will work because...well, you can look at the...this and
10 it will work out. Some these...just some of those first
11 units that were done back in '91 and '92, you know,
12 that...that's going to run into the problem on.

13 JILL HARRISON: But like the next two units that
14 we're going to talk about, they have the supplemental orders.

15 BOB LOONEY: Everything has been set out in it and
16 then and the money started going in all of it at the same
17 time, so there shouldn't be any problem with this.

18 SANDRA RIGGS: Well, we had one before...the R-25
19 was the same way. That's...that's a simple one.

20 BOB LOONEY: Yeah.

21 JILL HARRISON: Uh-huh.

22 BENNY WAMPLER: But we wouldn't...we would not, you
23 know, specifically address your issue and we understand your
24

1 issue, and obviously, we're not trying to keep things on the
2 agenda that we don't need to have either, but that is the
3 type of information that the Board would need to consider in
4 open hearing and we would call it on our own motion. You
5 certainly could appear and without...without---

6 JILL HARRISON: I would prefer...I would ask that I
7 be notified.

8 BENNY WAMPLER: ---without...you would be.

9 JILL HARRISON: I would...I was going to say, I
10 would think I would have to be under the rules of res.

11 BENNY WAMPLER: Right, you would be notified. And,
12 you know, under that scenario, we would be discussing just
13 what we have been discussing. Do we have a comprehensive
14 accounting and related interest in a format that we can all
15 understand and assure ourselves that subsequent parties are
16 going to have the same fair bite of that apple?

17 JILL HARRISON: Yes, sir. And I have...I mean, I
18 totally agree with you. I think that it does need to be
19 done. I just...I have...each time I have gone to my client
20 and said this is what we're going to do and this is how it's
21 going to work and I just want to be able to tell them---

22 BENNY WAMPLER: Right.

23 JILL HARRISON: ---this is what's going to happen
24

1 and this is how it will work.

2 BENNY WAMPLER: Yeah, it turned out to be more
3 complex, I think, than any of us thought due to the record
4 keeping---.

5 JILL HARRISON: Right.

6 BENNY WAMPLER: ---that we've encountered.

7 JILL HARRISON: Well, I've explained to them that
8 it's an evolving process and they've been very patient.

9 TOM FULMER: Can't go anywhere else.

10 JILL HARRISON: Well---.

11 TOM FULMER: Be too embarrassing.

12 JILL HARRISON: Some of my clients that are involved
13 in this are reaching up in their years and have said, "I'm
14 not going to see a dime of this during my lifetime." So, I
15 would like to prove them wrong, if at all possible.

16 MASON BRENT: We would, too.

17 MAX LEWIS: Yeah.

18 BENNY WAMPLER: Anything further?

19 (No audible response.)

20 JILL HARRISON: So, was---.

21 MASON BRENT: I move that we grant the application,
22 subject to the same provisions that we had in the previous
23 agenda item.

24

1 BENNY WAMPLER: Motion to approve.

2 MAX LEWIS: I second.

3 BENNY WAMPLER: Second. Any further discussion?

4 (No audible response.)

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

6 (All members indicate in the affirmative.)

7 BENNY WAMPLER: Opposed, say no.

8 (No audible response.)

9 BENNY WAMPLER: You have approval.

10 JILL HARRISON: Thank you.

11 BENNY WAMPLER: The next item on the agenda is a

12 petition from Torch Energy Advisors Incorporated and

13 Consolidation Coal Company for Board orders issued for unit

14 W-29, to amend those orders related to this unit concerning

15 escrowing of funds and this is docket number GOB-95-04/18-

16 0499-02. We'd ask the parties that wish to address the Board

17 in this matter to come forward at this time.

18 JILL HARRISON: My name is Jill Harrison. Today on

19 this unit, the W-29, I am representing Consolidation Coal

20 Company and Pocahontas...I'm sorry, Consolidation Coal

21 Company and Torch Energy Advisors Incorporated. I have

22 for...with me today to testify for me Mr. Bob Looney.

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BOB LOONEY

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

DIRECT EXAMINATION

QUESTIONS BY MISS HARRISON:

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

A. I'm Bob Looney.

Q. And Mr. Looney, you've previously testified that you performed work for Consol and PGP and as a part of your work for them, you maintain the ownership interest in the various units and the information with regard to the conflicting tracts, is that correct?

A. Yes, I do.

Q. And in the W-29 unit, does Consolidation Coal Company claim the ownership of the oil and gas underlying 2.33 acres of tract seventeen in this unit?

A. Yes.

Q. And in what percentage would that be in relation to the entire unit?

A. It's 2.91250 percent.

Q. And if you would, please look at the supplemental order, which is Exhibit Three in your exhibit

1 book. And if you would, tell me if this supplemental order
2 identifies on Exhibit E the tract which Consol claims? And I
3 believe it's on page two of Exhibit E, at the bottom.

4 A. Which one? Okay.

5 Q. Third from the bottom.

6 A. Third from the bottom. Yes, Consolidation
7 Coal Company, 2.33 acres.

8 Q. So, the tract that we're discussing today is
9 the third tract from the bottom, on page two of Exhibit E,
10 Consolidation Coal Company, 2.33 acres, 2.91250 percent, is
11 that correct?

12 A. That's correct. Yes.

13 Q. And to your knowledge, does Hugh McRae Land
14 Trust claim the ownership of the coal underlying this 2.33
15 acre tract?

16 A. Yes, they do.

17 Q. And if you would, two exhibits in the book,
18 Exhibit Number Five, is that the interest by which Hugh McRae
19 has conveyed its interest in the production related to the
20 coalbed methane to Torch Energy Advisors?

21 A. Yes, it is.

22 Q. And Exhibit Four, attached to the affidavit,
23 is that the agreement by which Consolidation Coal Company,

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--

1 Hugh McRae Land Trust and Torch Energy Advisors have entered
2 into an agreement that resolves this conflicting claim to the
3 coalbed methane and sets forth how these royalties should be
4 paid?

5 A. Yes.

6 Q. And based on this agreement, is
7 Consolidation Coal Company asking the Board to amend its
8 orders to reflect that Consol, Hugh McRae and Torch Energy
9 are no longer conflicting claimants in this unit?

10 A. Yes, it does.

11 Q. And are you also asking the Board to enter
12 an order directing the escrow agent and the operator to
13 account for the funds deposited on behalf of this unit?

14 A. Yes.

15 Q. And would the cut off date for this unit
16 also be June 25th, as we have discussed on the other units?

17 A. Yes.

18 JILL HARRISON: I have no further questions for Mr.
19 Looney. You assigned him counterparts.

20 BENNY WAMPLER: Questions from members of the Board
21 of this witness?

22 SANDRA RIGGS: Are we saying that the 2.91250
23 percent interest shown as six on page two of the supplemental
24

1 order is a portion of the coal fee ownership of Hugh McRae
2 which is 22.89 acre tract.

3 BOB LOONEY: Yes...yes.

4 SANDRA RIGGS: This is one we ought to be able to
5 apply percentage---?

6 BOB LOONEY: Should be.

7 SANDRA RIGGS: ---and it would come out to meet the
8 accounting?

9 JILL HARRISON: Every...yes.

10 BOB LOONEY: Yeah, everything should work on that
11 because everything started in at the same time and all, so it
12 should work.

13 BENNY WAMPLER: Okay. Any questions from members of
14 the Board?

15 (No audible response.)

16 BENNY WAMPLER: Do I have a motion? Do you have
17 anything further, Jill?

18 JILL HARRISON: Not of this unit.

19 MAX LEWIS: I make a mot...I make a motion to
20 approve it.

21 BENNY WAMPLER: We have a motion to approve.

22 MASON BRENT: I second.

23 BENNY WAMPLER: Second. Any further discussion?

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1 (No audible response.)

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

3 (All members indicate in the affirmative.)

4 BENNY WAMPLER: Opposed, say no.

5 (No audible response.)

6 BENNY WAMPLER: You have approval.

7 JILL HARRISON: Thank you.

8 BENNY WAMPLER: The next item on the agenda is a

9 petition from Torch Energy Advisors Incorporated and

10 Consolidation Coal Company for Board orders issued for unit

11 U-27, to amend those orders related to this unit concerning

12 escrowing of funds. This is docket number GOB-97-02/18-0563-

13 01. We'd ask the parties that wish to address the Board in

14 this matter to come forward at this time, please.

15 JILL HARRISON: Mr. Chairman, my name is Jill

16 Harrison. I represent on this unit Torch Energy Advisors

17 Incorporated and Consolidation Coal Company. This is a

18 petition for the withdrawal of escrowed funds. With me today

19 is Bob Looney. He will provide testimony with regard to this

20 application.

21 BENNY WAMPLER: The record will show there are no

22 others. You may proceed.

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BOB LOONEY

3 having been duly sworn, was examined and testified as
4 follows:

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DIRECT EXAMINATION

6 QUESTIONS BY MISS HARRISON:

7 Q. Would you state your name for the record,
8 please?

9 A. Bob Looney.

10 Q. And Mr. Looney, you've previously testified
11 that you perform work for Consolidation Coal Company and
12 maintain their ownership information with regard to this unit
13 and the conflicting tracts within this unit, is that correct?

14 A. Yes.

15 Q. And does Consolidation Coal Company claim
16 the ownership of the oil and gas underlying 72.52 acres of
17 tract one in this unit?

18 A. Yes, it does.

19 Q. And in what percentage is that in relation
20 to the rest of the unit?

21 A. It's 9.65 percent of the total unit.

22 Q. 90 not---?

23 A. 90.65. I'm sorry. 90 percent.

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1 Q. And if you would, please look at the
2 supplemental order which is Exhibit Three in the exhibit
3 book, and if you would, on page one of Exhibit E, is tract
4 one which is shown as the 72.52 acre tract?

5 A. Yes, it is.

6 Q. And this is the tract on which Hugh McRae
7 Land Trust owns the coal?

8 A. Yes.

9 Q. And to your knowledge, Hugh McRae conveyed
10 their interest in the royalty related to the production of
11 coalbed methane from this tract to Torch Energy, is that
12 correct?

13 A. Yes, they have.

14 Q. And is it also your...to your knowledge,
15 that Consolidation Coal Company, Hugh McRae Land Trust and
16 Torch Energy have entered into an agreement that resolves
17 this conflicting claim to the coalbed methane on this tract?

18 A. Yes, they have.

19 Q. And based on that agreement, is
20 Consolidation Coal Company asking the Board to amend its
21 orders to reflect that Consol, Hugh McRae and Torch Energy
22 are no longer conflicting claimants on this unit?

23 A. Yes.

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1 Q. And is Consolidation Coal Company now asking
2 that the Board order an accounting for the unit and---?
3 A. Yes, they do.
4 Q. ---and subsequently disburse the funds after
5 approval of that accounting?
6 A. Yes.
7 JILL HARRISON: I have no further questions for Mr.
8 Looney.
9 BENNY WAMPLER: Any questions from members of the
10 Board?
11 SANDRA RIGGS: There's two schedules attached to the
12 supplemental order. One is the list of unleased owners,
13 claimants and the one is conflicting.
14 BOB LOONEY: Yes.
15 SANDRA RIGGS: Which ones were escrowed?
16 BOB LOONEY: Both of them.
17 SANDRA RIGGS: E is?
18 BOB LOONEY: E is the conflicting the claimant and
19 B3 is an unleased owner, and if you'll look...actually, the
20 Exhibit E reflects both...the same owners.
21 SANDRA RIGGS: Right. Right. So, everybody on E
22 got escrowed.
23 BOB LOONEY: Right. Now, had the people on Exhibit
24

1 B, had they not been a conflicting claimant, then they would
2 have been unpaid, see.

3 SANDRA RIGGS: Right. Suspended payment.

4 BOB LOONEY: It would have been paid if there had
5 been a fee owner, is what I'm saying.

6 SANDRA RIGGS: Oh, because this is a fee---.

7 BOB LOONEY: This is...see, this is not a fee, or is
8 it? I'd have to---.

9 SANDRA RIGGS: No, it's not.

10 BOB LOONEY: No, they're not fee owners. So, see,
11 they're in conflict and the money is also in escrow. Had
12 there been a fee owner, it would have been on pay. They
13 wouldn't have been in escrow.

14 SANDRA RIGGS: Well, we've had situations where
15 they've been leased and you've had suspended payments and
16 they weren't escrowed, and that's what I'm asking. They were
17 escrowed in this particular one.

18 BOB LOONEY: Yes, yes, yes.

19 SANDRA RIGGS: Okay.

20 JILL HARRISON: I'm glad you got the answer you
21 wanted because I didn't follow that.

22 SANDRA RIGGS: Well, there are...some of
23 these...some of these will have two schedules.

24

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1 BOB LOONEY: Some of those orders...that's the
2 reason we had the problems.

3 JILL HARRISON: Right.

4 SANDRA RIGGS: They will have a B3 that shows
5 unleased conflicting and then an E that shows all
6 conflicting.

7 JILL HARRISON: Uh-huh. I understand.

8 SANDRA RIGGS: And in some instances, they only
9 escrow unleased conflicting.

10 BOB LOONEY: Right.

11 JILL HARRISON: I understand.

12 SANDRA RIGGS: You did not escrow leased
13 conflicting. So, it depends which schedule...if they were
14 escrowing in accordance with B3, then there would be no money
15 in escrow to be withdrawn unless it got put in there in
16 contravention of the supplemental order. Does that make any
17 more sense?

18 JILL HARRISON: Oh, I've known that from the very
19 beginning.

20 SANDRA RIGGS: Oh, okay.

21 JILL HARRISON: That's just created this whole mess.
22 So, you're not telling me something new, I'll tell you.

23 SANDRA RIGGS: I know. Okay. Okay.

24

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1 BOB LOONEY: Yes, that was the reason for the mess
2 there...I don't know. That was before my time.
3 BENNY WAMPLER: That's no excuse. That doesn't work.
4 BOB LOONEY: Just like you're responsible for the
5 previous Board, aren't you?
6 BENNY WAMPLER: That's right.
7 SANDRA RIGGS: Okay.
8 BENNY WAMPLER: Any other questions?
9 (No audible response.)
10 BENNY WAMPLER: Did you have anything further?
11 JILL HARRISON: No, sir.
12 MASON BRENT: I move that we grant this application.
13 MAX LEWIS: Second.
14 BENNY WAMPLER: Any further discussion?
15 (No audible response.)
16 BENNY WAMPLER: All in favor, signify by saying yes.
17 (All members indicate in the affirmative.)
18 BENNY WAMPLER: Opposed, say no.
19 (No audible response.)
20 BENNY WAMPLER: You have approval.
21 JILL HARRISON: Thank you.
22 BENNY WAMPLER: The next item on the agenda is as
23 petition from Torch Energy Advisors Incorporated,
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1 Consolidation Coal Company and Pocahontas Gas Partnership for
2 Board orders issued for unit SGUVP-6, to amend the orders
3 related to this unit concerning the escrowing of funds. This
4 is docket number GOB 92-07/21-0244-01. We'd ask the parties
5 that wish to address the Board in this matter to come forward
6 at this time.

7 JILL HARRISON: Mr. Chairman, my name is Jill
8 Harrison. On this application I represent Torch Energy
9 Advisors Incorporated, Consolidation Coal Company and
10 Pocahontas Gas Partnership. This is a petition for the
11 release of escrowed funds. I have with me today Mr. Bob
12 Looney, who will testify on behalf of the applicants.

13 BRYAN SLAUGHTER: Hi. My name is Bryan Slaughter,
14 an attorney from Charlottesville, Virginia. I represent in
15 this matter...it's the last line of the notice, Marshall
16 Keene and Jeremy Keene, Sue Loflin and then the rest of the
17 Rose. I'm here to put a general objection on the record and
18 that would be for a subsequent proceeding to this one. I
19 just at some time would like to state a general objection.

20 BENNY WAMPLER: Sure, that's fine.

21 DENNY BAILEY: I've got something to say. How can
22 they put in escrow...money in escrow that people on this
23 docket has done signed heirship out and it's been put on the

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1 record and it still has got them in escrow, how can they do
2 that?

3 BENNY WAMPLER: Can we have your name for the
4 record, please?

5 DENNY BAILEY: Denny Bailey.

6 BENNY WAMPLER: Mr. Bailey.

7 DENNY BAILEY: There's heirs on this land that's
8 done signed out and gave them...and I took the deeds to
9 Richlands and gave them my deeds and they still got the
10 people on escrow and I don't see how in the world they can do
11 it.

12 BENNY WAMPLER: Are they identified in this record?

13 DENNY BAILEY: Yes, they are, and I have got deeds
14 at the house to back my statement up and all they have to do
15 is go to Buchanan County Courthouse and ask for the deed.

16 JILL HARRISON: The people that were notified by
17 certified mail and by publication, are the people that are
18 listed in the original application and the supplemental
19 orders.

20 DENNY BAILEY: But I have got deeds to back my
21 statement up that they have signed out. My father-in-law was
22 an heir in and he's got them out...the Jackson part is signed
23 out to him.

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1 SANDRA RIGGS: Was it...were these deeds executed
2 after the pooling of these units?

3 DENNY BAILEY: They've been out for some several
4 years. He started...he died in '81. It was in the '80s that
5 they signed out. They did sign out. They was out of it in
6 1980, and to me, they didn't research their deeds.

7 BRYAN SLAUGHTER: One thing that just might be
8 helpful for the Board to explain, which I didn't realize
9 until I got into it, is that it is my understanding that the
10 entire escrow account is not being disbursed. This is just a
11 small portion of the escrow account.

12 BENNY WAMPLER: That's right.

13 SANDRA RIGGS: That's right.

14 BRYAN SLAUGHTER: That might be helpful to explain
15 to people because once I realized that...it took me a while
16 to figure that out. Once I did...I think people are worried
17 that the entire escrow account is being disbursed.

18 SANDRA RIGGS: No.

19 BRYAN SLAUGHTER: It might be helpful to explain
20 that, to---.

21 SANDRA RIGGS: Well, I think that's what Jill is
22 getting ready to explain---.

23 BRYAN SLAUGHTER: Okay.

24

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1 SANDRA RIGGS: ---as part of her application which
2 tracts we're talking about.

3 BRYAN SLAUGHTER: Okay.

4 BENNY WAMPLER: She will identify...identify that
5 tract and to the extent that there is people that own
6 interest in the unit that hasn't been...have not been
7 identified to date, you know, we'd be interested in having
8 that information clarified here as well.

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BOB LOONEY

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

DIRECT EXAMINATION

QUESTIONS BY MISS HARRISON:

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

A. Bob Looney.

Q. And Mr. Looney, I believe you've previously testified that you perform work for Consolidation Coal Company and Pocahontas Gas Partnership and maintain their ownership information and interest for the various tracts within this unit that are in conflict, is that correct?

A. Yes.

Q. And do Consolidation Coal Company and PGP claim the ownership of the oil and gas underlying certain tracts within this unit?

A. Yes, they do.

Q. And does the application filed in this matter correctly set forth the ownership interest of Consolidation Coal Company and PGP?

A. Yes.

Q. Have PGP and/or Consol acquired any

1 additional interest in this unit since the unit was force
2 pooled?

3 A. No, the interest listed in the original
4 identifies in the pooling order.

5 Q. So, the interest from the pooling
6 application are the ones we're discussing today?

7 A. Yes. Right.

8 Q. And to your knowledge, does Hugh McRae Land
9 Trust claim the ownership of the coal underlying tracts ten,
10 eleven, twelve, thirteen, fourteen and fifteen?

11 A. (No audible response.)

12 JILL HARRISON: And what we've had to do...the
13 easiest way to identify all of this for clarification, at the
14 very back of your book is something that Mr. Looney provided
15 to me yesterday, and it is a list of the tracts with a well
16 plat attached and this would be our Exhibit Nine, because of
17 the number of tracts and different ownerships, this appeared
18 to be the best way to got through the tracts that we're
19 discussing. And the tracts that are in question today
20 are---.

21 (Miss Harrison hands Mr. Slaughter a copy of the
22 Exhibit.)

23 JILL HARRISON: Let me provide you with one of
24

1 these.

2 BRYAN SLAUGHTER: Okay. Thank you very much.

3 JILL HARRISON: These are the tracts, ten through
4 fifteen---.

5 BRYAN SLAUGHTER: Right.

6 JILL HARRISON: ---and there's a map attached.

7 BRYAN SLAUGHTER: Okay. Thank you.

8 Q. Mr. Looney, if you would, let's identify the
9 tracts that we're discussing today. On...beginning on page
10 three at the bottom, what is the first tract in which
11 Consolidation Coal Company owns an interest?

12 A. Okay. Tract ten, in which they own 24.79
13 acres or 2.33 percent.

14 BENNY WAMPLER: I'm sorry, could you just help get
15 on the same sheet with you? Are you working with that?

16 JILL HARRISON: If you'll...the pull out. Yes, sir.
17 Beginning on page three.

18 BENNY WAMPLER: All right.

19 JILL HARRISON: At the bottom.

20 BENNY WAMPLER: All right. I'm ready. Thanks.

21 BOB LOONEY: It's tract ten, 24.79 acres or 2.33
22 percent of the unit; tract eleven, 5.81 acres or .54 of the
23 unit; tract twelve, 57.93 acres or 5.43 percent; thirteen is
24

1 20.08 acres or 1.88 percent; tract fourteen is 8.56 acres or
2 .80 percent; tract fifteen is 55.73 acres or 5.23 percent;
3 and I think that takes care of all of them.

4 Q. And on each of these tracts, is Hugh McRae
5 Land Trust identified as the coal owner?

6 A. Yes, they are.

7 Q. To your knowledge, has Hugh McRae Land Trust
8 conveyed its interest in the royalty related to the
9 production of coalbed methane from these tracts to Torch
10 Energy Advisors Incorporated?

11 A. Yes, they have.

12 Q. And if you would look at Exhibit Five in
13 your book, is it your understanding that this is the
14 assignment by which Hugh McRae conveyed that interest to
15 Torch Energy?

16 A. Yes.

17 Q. Have PGP, Consolidation Coal Company, Hugh
18 McRae Land Trust and Torch Energy Advisors Incorporated
19 entered into an agreement that resolves the conflicting
20 claims on these tracts?

21 A. Yes, they have.

22 Q. And does that agreement also set forth their
23 direction on how royalties escrowed in future are to be

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1 disbursed?

2 A. Yes, it does.

3 Q. And is that shown by the agreement under

4 Exhibit Number Four?

5 A. Yes.

6 Q. And based on this agreement, are PGP and

7 Consolidation Coal Company asking the Board to amend its

8 orders to show that they are no longer conflicting claimants

9 in this unit on these tracts?

10 A. Yes.

11 Q. And are PGP and Consolidation Coal Company

12 also asking the Board to enter an order directing the escrow

13 agent and the operator to account for the funds, and subject

14 to a satisfactory accounting, disburse the funds in

15 accordance with their December the 30th, 1997 agreement?

16 A. Yes, they are.

17 Q. And would June 25th also be the appropriate

18 cut off date for the SGUVP-6 unit?

19 A. Yes, it would.

20 JILL HARRISON: I have no further questions for Mr.

21 Looney.

22 BENNY WAMPLER: Any questions from members of the

23 Board?

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1 SANDRA RIGGS: On tract thirteen, the application
2 shows a 1.86 percent and the hand out shows a 1.88.
3 JILL HARRISON: 1.86 percent...the amount that is
4 shown in the application is the correct amount.
5 MASON BRENT: So, the 1.86?
6 JILL HARRISON: Yes, sir, is the correct amount.
7 BENNY WAMPLER: Do you have any questions, Mr.
8 Slaughter, of this witness?
9 BRYAN SLAUGHTER: I have no questions. No.
10 BENNY WAMPLER: Okay. Do you have anything further?
11 JILL HARRISON: No, sir.
12 BENNY WAMPLER: Any further questions from members
13 of the Board? Mr. Slaughter.
14 BRYAN SLAUGHTER: Yeah, I would just like to make an
15 objection. I represent the coal owners of tract seventeen
16 and I'd like to make an objection for the record for any
17 subsequent proceedings on the grounds that the oil and gas
18 statute 45.1-361 and sequential sections provide the
19 mechanism for an unconstitutional taking of people's land.
20 Only a Court of law can determine ownership, and until this
21 ownership is established, I would ask that the escrow account
22 not be disbursed in any manner.
23 JILL HARRISON: I may misunderstand. But are you
24

1 saying that on our tracts, your clients own interest?

2 BRYAN SLAUGHTER: No, just tract seventeen---.

3 JILL HARRISON: Okay.

4 BRYAN SLAUGHTER: --which is part of this entire

5 tract where the well is.

6 JILL HARRISON: Within the unit?

7 BRYAN SLAUGHTER: Yeah, that's correct.

8 JILL HARRISON: All right. I just wanted to make

9 sure we get this straight.

10 BRYAN SLAUGHTER: Yeah.

11 SANDRA RIGGS: Yeah, I was having a problem with

12 that.

13 BENNY WAMPLER: Jill, do you mind clarifying for the

14 folks that are here, what's going on in relation to

15 the...what Bryan...what Mr. Slaughter brought up earlier?

16

17 JILL HARRISON: What this agreement does is take the

18 tracts on which Consol...Consolidation Coal Company and

19 Pocahontas Gas Partnership and a company called Hugh McRae

20 Land Trust, it's how it is divided up on these tracts and

21 we're only talking about the tracts in which they own a unit,

22 not in which any of your all's family owns an interest.

23 Consol and PGP own the oil and gas and Hugh McRae Land Trust

24

1 owns the coal. They have two separate interests, and the way
2 the Virginia Statutes are set up and the courts, we have not
3 had a decision in this state as to who owns the coalbed
4 methane. So, what the Virginia Legislature did, was set up a
5 statute that said because we're not going to decide, or the
6 Gas and Oil Board does not have the jurisdiction to decide
7 who does own coalbed methane, but we do want to provide for
8 the orderly and the efficient development of the resources of
9 this state, we want to set up an escrow account. We will put
10 royalties attributable to those two conflicting interest into
11 that account and once...either once it's decided by a court
12 of law this is who owns it or if those parties can reach an
13 agreement on how they want that money to disbursed between
14 the two of them, that money is going to go into that account.
15 So, Hugh McRae Land Trust and Consolidation Coal Company and
16 Pocahontas Gas Partnership, the owners on this tract, have
17 entered into a contractual agreement and they have said we're
18 not going to fight this out in court. We want to get what
19 money we can and this is how we're going to split it. And
20 what we have to do is come back to the Board and give them
21 our application and include our agreement that says this is a
22 voluntary agreement and this is how we want to divide the
23 funds. Now, the reason that you all get copies of the

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1 applications, and I understand from the discussion that there
2 maybe be people who should have been included or who weren't
3 or whatever, but the statutes and the regulations say,
4 anytime a party comes to the Board and asks for an order to
5 be amended or changed in any way, we have to notify everybody
6 in that unit. And that's really the only fair thing to do so
7 that everybody knows what's going on in the unit. So, the
8 pieces of the paper that you all have gotten are the notice
9 for the hearing and then a copy of the application itself
10 that explains that Hugh McRae and Consol and PGP have entered
11 into a contract and that we were coming today to the Board to
12 say, give us our money, that's the bottom line. That's the
13 simple thing that we're doing today is saying we want to get
14 money out attributable to our tracts only. So, today is not
15 going to ask for any money to come out of the account related
16 to your tract, only to our tracts, but we do have to notify
17 you under the statutes and the regulations. And I'll be glad
18 to try to answer, you know, any questions about what's going
19 if you all have any.

20 BRYAN SLAUGHTER: I'll be happy to, too, after the
21 hearing, if they would like.

22 BENNY WAMPLER: Sure. Have you filed a
23 constitutional challenge, Mr. Slaughter, on the law?

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1 BRYAN SLAUGHTER: Not at this stage yet. We're
2 still in the investigative stage. We just want to make sure
3 that we don't lose any rights by failing to make a proper
4 objection.

5 SANDRA RIGGS: Well, it would seem to me that the
6 time to make that objection would have been at the time of
7 the pooling of the unit, not at the time of the withdrawal of
8 funds.

9 BRYAN SLAUGHTER: I hadn't even gone to law school.

10 SANDRA RIGGS: That's a final order now....the
11 pooling order is a final order of the Board and the appeal
12 time has run on that order.

13 BRYAN SLAUGHTER: Well, we...we're still
14 investigating possible challenges to that, also. But at this
15 stage, we realize we didn't even know this was going on in
16 1992. So---.

17 BENNY WAMPLER: Of course, that's the Virginia
18 Statute. The Federal Congress has enacted a Federal statute
19 that provides for a pooling. In fact, modeled that largely
20 after the Virginia Statute---.

21 BRYAN SLAUGHTER: Right.

22 BENNY WAMPLER: ---believing that...and I think the
23 record would reflect that at the Congressional record, that
24

1 the Virginia Statute does in fact afford protection of the
2 parties---.

3 BRYAN SLAUGHTER: Okay.

4 BENNY WAMPLER: ---but encourages development of the
5 resources.

6 BRYAN SLAUGHTER: Right.

7 BENNY WAMPLER: And having said that, you know, I
8 certainly understand your---.

9 BRYAN SLAUGHTER: Right, and we're just...we're
10 still in the investigative stages.

11 BENNY WAMPLER: Right.

12 BRYAN SLAUGHTER: And we're not...I would also ask
13 that we get a copy of any accountings that take place under
14 the escrow account, if we're entitled to receive those, also.

15 JILL HARRISON: Well, I would object to any
16 accountings being provided that affect our tracts in which
17 your clients don't have an interest.

18 BRYAN SLAUGHTER: Well, if it's an accounting
19 affecting the entire escrow account, I think we would have
20 standing to see that.

21 SANDRA RIGGS: It's affecting tracts ten through
22 fifteen, that's what the accounting will be with regard to.

23 BRYAN SLAUGHTER: Right, but it's the entire
24

1 drilling unit. It's an escrow account for the entire unit
2 and we are a part of the drilling unit.

3 SANDRA RIGGS: The escrow account is for the entire
4 drilling unit. The accountings will only apply to monies put
5 into that account for tracts ten through fifteen.

6 BRYAN SLAUGHTER: But presumably, it would be just
7 one entire escrow account and then only a portion...they will
8 figure out the entire amount that's in the escrow account and
9 then account...take 16 percent out of that entire amount. We
10 would like to see the accounting for the entire escrow
11 account.

12 SANDRA RIGGS: Well, that's what this debate has
13 been all about. We're not going to apply percentage.
14 They're going to actually have individual deposits per
15 account, per tract.

16 BOB LOONEY: Per tract.

17 SANDRA RIGGS: There's a royalty statement that gets
18 filed that itemizes how...of each deposit put on deposit with
19 the escrow agent how much is attributable to each tract
20 within the total unit.

21 BRYAN SLAUGHTER: Okay.

22 SANDRA RIGGS: What we're looking for is an
23 itemization of those deposits made for tracts ten through
24

1 fifteen.

2 BRYAN SLAUGHTER: But it's also coming out of one
3 well, is that right?

4 SANDRA RIGGS: Well...

5 BRYAN SLAUGHTER: I mean, the gas that is---.

6 BENNY WAMPLER: Come out of that unit.

7 BRYAN SLAUGHTER: ---being sold which is providing
8 the money for the escrow account is coming out of one well.

9 SANDRA RIGGS: No. These mostly...in some instances
10 ...on this particular case W-29---.

11 TOM FULMER: It's a sealed unit.

12 BOB LOONEY: It's a sealed gob unit.

13 BENNY WAMPLER: It's the unit, not well, that you
14 need to be talking about.

15 BRYAN SLAUGHTER: Okay. But the unit...but there's
16 really no way to be able to say whether it's coming from the
17 coal of...gases arising out of the coal or the gob in tract
18 seventeen or tract one B. I'm saying there's no...that
19 I...maybe I'm wrong, but there's no way to figure out what
20 money should be attributable to which...to a certain amount
21 of cash.

22 BOB LOONEY: That's the reason that...see, this
23 percentage here---.

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1 BRYAN SLAUGHTER: Right.

2 BOB LOONEY: ---it's...you get that percent of that
3 total unit.

4 SANDRA RIGGS: It's based on your---.

5 BRYAN SLAUGHTER: Of percentage, right. That's what
6 I'm saying.

7 JILL HARRISON: On your acreage within the unit.

8 BRYAN SLAUGHTER: Right.

9 BOB LOONEY: On acreage.

10 JILL HARRISON: So, you are claiming...you are going
11 to claim ownership of the coalbed methane that comes from a
12 tract on which you don't have an interest, is that what
13 you're saying?

14 BRYAN SLAUGHTER: No, just for tract seventeen...
15 just for the clients that---.

16 JILL HARRISON: Well, those are two contradictory
17 positions, because either you do claim the interest in our
18 tracts, which would entitle you to a copy of our accounting,
19 or you don't claim an interest in our tracts. And what you
20 would be entitled to is an accounting relating to your tract.

21 BRYAN SLAUGHTER: What I'm...I guess what I'm
22 arguing is that they're...and I have not discussed with the
23 Board how...what the mechanism works and apparently it's
24

1 still being figured out. But if...how many wells are on this
2 unit?

3 JILL HARRISON: The wells are irrelevant.

4 BRYAN SLAUGHTER: Well, the wells---.

5 JILL HARRISON: It...where it looks at are the...are
6 your acreage within the unit.

7 BRYAN SLAUGHTER: But the wells provide the gas that
8 provide...that is sold which provides the money for the
9 escrow, right?

10 JILL HARRISON: So?

11 BRYAN SLAUGHTER: So, they're not irrelevant.
12 They're very relevant.

13 JILL HARRISON: Okay. I don't...I'm sorry. I don't
14 follow the connection. I'm not trying to be difficult---.

15 BRYAN SLAUGHTER: No, I'm not either.

16 JILL HARRISON: ---I'm trying to follow the path.

17 BRYAN SLAUGHTER: I'm really...I would just like to
18 see an accounting, if we have an interest. I mean, we
19 receive notice, so apparently we do have some standing here.

20 JILL HARRISON: In the unit, yes, sir.

21 BRYAN SLAUGHTER: In the unit.

22 JILL HARRISON: I agree completely with that.

23 BRYAN SLAUGHTER: Okay. So, we would just like to
24

1 see...this is potentially...if we're a part of the escrow
2 account, which we are, I believe, then we would like to
3 see...have what the accounting is and how much is being taken
4 out of the escrow account which we have an interest in.

5 JILL HARRISON: I...I will just lodge my objection
6 for the record, to any accounting which provides any
7 financial information relating to my clients interest in
8 their tracts.

9 BRYAN SLAUGHTER: Well, we would just like to know
10 what our potential financial interest is and no one will tell
11 us.

12 SANDRA RIGGS: But their accounting isn't going to
13 apply to your financial interest. You would need an
14 accounting for tract seventeen---.

15 BOB LOONEY: Yeah.

16 BRYAN SLAUGHTER: Right, based on the---?

17 SANDRA RIGGS: ---in order to get that information.

18 BRYAN SLAUGHTER: ---percentage that tract seventeen
19 has, is that correct, which is a---?

20 BENNY WAMPLER: Percent in the unit.

21 MAX LEWIS: Yeah.

22 BENNY WAMPLER: 7.16 according to this.

23 BRYAN SLAUGHTER: 7.1 percent. So, presumably
24
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1 whatever they are taken their 16 percent out of, which is
2 presumably there's a 100 percent somewhere, but they're taken
3 16 percent out of that, I would like to see what our 7
4 percent would represent and to get to the 16 percent there
5 has to be a 100 percent....the escrow agent has to figure out
6 what the 100 percent is to take their 16 percent of. So,
7 when they do that, I would like to see what that 100 percent
8 is.

9 SANDRA RIGGS: The 100 percent is the total amount
10 on deposit today.

11 BENNY WAMPLER: On deposit for the unit.

12 BRYAN SLAUGHTER: Okay. That's---.

13 SANDRA RIGGS: That number is published and on file
14 at the Gas and Oil Office.

15 BRYAN SLAUGHTER: It is? Okay.

16 SANDRA RIGGS: Okay.

17 BRYAN SLAUGHTER: All right. Well, I would like
18 to---.

19 SANDRA RIGGS: The escrow agent files...quarterly?

20 TOM FULMER: Well, we get monthly reports and
21 quarterly.

22 SANDRA RIGGS: Monthly reports will show you the
23 total amount placed on deposit within that account.

24

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1 BRYAN SLAUGHTER: Okay. Is that...I think you and I
2 had talked about at one point that they were not filing that
3 with the Oil and Gas Board?

4 SANDRA RIGGS: Well, you're talking about two
5 different things now.

6 BRYAN SLAUGHTER: Okay. Okay.

7 SANDRA RIGGS: You're talking about...the escrow
8 agent reports to the Board the total amount that's on
9 deposit. What you're talking about now is royalty statements
10 for your particular tract.

11 BRYAN SLAUGHTER: Okay. We'd also like to see the
12 total amount on deposit for the escrow.

13 JILL HARRISON: I think he's entitled to that.
14 Yeah.

15 BRYAN SLAUGHTER: Okay. Great. I'm sorry.

16 SANDRA RIGGS: Yeah.

17 BENNY WAMPLER: Yeah, we would agree with that.
18 You're entitled to that.

19 TOM FULMER: All you have to do on that is just call
20 the office---.

21 BRYAN SLAUGHTER: Okay.

22 TOM FULMER: ---and we can get you the total amount
23 on any unit...any unit.

24

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1 BRYAN SLAUGHTER: Okay.

2 TOM FULMER: ---now we're not going to tell you
3 what your percentage is.

4 BRYAN SLAUGHTER: But that would presumably be in
5 application.

6 TOM FULMER: That's in the order itself.

7 SANDRA RIGGS: In the order.

8 BRYAN SLAUGHTER: Right, in the order. Okay.

9 TOM FULMER: In the order itself. So, in other
10 words, we don't do calculations. If we do, we then based
11 on---.

12 BOB LOONEY: I don't...I don't...can I say something
13 now? In this unit, see, that won't...his 7.16 percent won't
14 represent 7.16 percent of the total escrow because you've
15 got...you know, there's some fee owners in here, then that's
16 not a 100 percent, see.

17 BRYAN SLAUGHTER: Okay.

18 BOB LOONEY: So, you've got to take whatever is in
19 conflict and divide into this---.

20 BRYAN SLAUGHTER: Okay.

21 BOB LOONEY: ---and that will give you the
22 percentage of the total. Do you see what I'm saying?

23 BRYAN SLAUGHTER: Yeah, I do.

24

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1 JILL HARRISON: So, actually---.

2 BRYAN SLAUGHTER: And we can work that out. All you
3 got to do is...got to get that number.

4 JILL HARRISON: ---so, actually it would be a
5 higher percentage than 7.19.

6 BRYAN SLAUGHTER: Right. Okay.

7 JILL HARRISON: Just for your understanding.

8 BENNY WAMPLER: All that's why we're concerned about
9 how...being very careful about what we disburse out of escrow
10 is to make sure that we're not disbursing something and then
11 end up---.

12 BRYAN SLAUGHTER: Right.

13 BENNY WAMPLER: ---at the end not being able to
14 have all the monies---.

15 BRYAN SLAUGHTER: Come up short.

16 BENNY WAMPLER: Come up short, in other words,
17 because of interest---.

18 BRYAN SLAUGHTER: I understand that.

19 BENNY WAMPLER: ---that's where you really run the
20 risk---.

21 BRYAN SLAUGHTER: I understand that.

22 BENNY WAMPLER: ---of how it's applied because of
23 the deposits are...occur on an ongoing month by month or
24

1 whatever, some frequency bases.

2 BRYAN SLAUGHTER: Just out of curiosity, is it not
3 public record what their 16 percent would be? Is that...is
4 that not...is that a proprietary number or---?

5 JILL HARRISON: Well, see, we own 16 percent in the
6 unit, but it's going to be a higher percentage because---.

7 SANDRA RIGGS: Of the escrow.

8 JILL HARRISON: ---not everything is---.

9 BRYAN SLAUGHTER: No, I realize that. I was just
10 wondering if their...why that accounting is proprietary
11 information, why it is not public record?

12 BENNY WAMPLER: Anything that we have...that the
13 Board has a hearing is public...public record. Okay?

14 BRYAN SLAUGHTER: Okay. Well, then I would love to
15 see what their---.

16 BENNY WAMPLER: The argument was whether or not you
17 had to be provided a copy of that notice and all of those
18 kinds of things.

19 BRYAN SLAUGHTER: No, I don't need to be noted.
20 It's just as long as it would be available to us.

21 JILL HARRISON: I don't see how it couldn't be.

22 BRYAN SLAUGHTER: Okay.

23 BENNY WAMPLER: Yeah, it's---.

24
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1 BRYAN SLAUGHTER: Okay. I'll call Mr. Fulmer.

2 BENNY WAMPLER: It will be available.

3 JILL HARRISON: What was concerning me was because

4 based on your argument, it appeared that you all were leaning

5 toward---.

6 BRYAN SLAUGHTER: No...not---.

7 JILL HARRISON: Okay. That's why I was trying to

8 make sure of that.

9 BRYAN SLAUGHTER: Not now.

10 JILL HARRISON: Okay.

11 CAROLYN STREET: Excuse me. How are we supposed to

12 figure what---.

13 (Court reporter tells Carolyn Street that she needs

14 to come forward and identify herself and speak louder so that

15 we can hear it.)

16 BENNY WAMPLER: We have...they are recording this

17 and we need to know your name and you need to be up near a

18 mike because these mikes don't amplify. They're just simply

19 to provide a recording.

20 CAROLYN STREET: My name is Carolyn Street and I

21 wanted to know how we were supposed to determine what tracts

22 we're on in that.

23 JILL HARRISON: I gave to your attorney---.

24

1 CAROLYN STREET: We don't have an attorney.

2 JILL HARRISON: Oh, I'm sorry. I thought you were
3 with them.

4 BRYAN SLAUGHTER: I don't...no, no...no, no.

5 BOB LOONEY: Oh, okay.

6 JILL HARRISON: No, I'll be glad to give you that
7 list. That's no problem. I'm sorry.

8 BOB LOONEY: Which...are you part of the Arch Street
9 heirs?

10 BRYAN SLAUGHTER: We are the last---.

11 BOB LOONEY: No, on them.

12 DENNY BAILEY: Yeah, on Arch Street.

13 CAROLYN STREET: A. Y. Street.

14 DENNY BAILEY: A. Y. Street.

15 BOB LOONEY: Okay.

16 DENNY BAILEY: A. Y. acreage...A. Y. Street tract.

17 TOM FULMER: Tract six.

18 JILL HARRISON: I apologize. I'm so sorry. I
19 thought---.

20 MASON BRENT: It's five.

21 JILL HARRISON: This is a listing of the tracts and
22 then this is a well plat that has the tract number on it.

23 CAROLYN STREET: Okay. Thank you.

24

--

1 JILL HARRISON: I'm sorry about that.

2 BOB LOONEY: Is Woodrow...Woodrow Street---?

3 DENNY BAILEY: Yeah.

4 CAROLYN STREET: Yeah.

5 BOB LOONEY: Okay. Mr. Chairman, I continuously
6 update the records when we receive it, you know, for new
7 owners or whatever and I've never received anything up at our
8 office. Now, he said in Richlands, it has probably been back
9 when it was Buchanan Production, you know, Oxy USA.

10 DENNY BAILEY: It was when Oxy was in.

11 BOB LOONEY: Okay.

12 DENNY BAILEY: Now, I can furnish you with that---.

13 BOB LOONEY: That will be fine. You know, we'll be
14 glad---.

15 BENNY WAMPLER: Just as soon as we finish the
16 hearing, we'll get you all together there and try to get that
17 information, if that's okay?

18 DENNY BAILEY: Okay.

19 BENNY WAMPLER: Anything further?

20 JILL HARRISON: No, sir.

21 BENNY WAMPLER: Any other questions from members of
22 the Board?

23 (No audible response.)

24

1 BENNY WAMPLER: Do you have anything further?
2 BRYAN SLAUGHTER: No. Thanks.
3 BENNY WAMPLER: Do I have a motion?
4 MASON BRENT: Mr. Chairman, I'd move that we grant
5 the application.
6 MAX LEWIS: And I second it.
7 BENNY WAMPLER: Second. Any further discussion?
8 (No audible response.)
9 BENNY WAMPLER: All in favor, signify by saying yes.
10 (All members indicate in the affirmative.)
11 BENNY WAMPLER: Opposed, say no.
12 (No audible response.)
13 BENNY WAMPLER: You have approval. Thank you.
14 JILL HARRISON: Thank you all very much.
15 BENNY WAMPLER: Thank you, Mr. Slaughter.
16 BRYAN SLAUGHTER: I thank you all very much for your
17 time.
18 BENNY WAMPLER: I appreciate it very much. Folks,
19 if you will stick around...if you have questions, we want to
20 try to answer those for you. We will be happy to do that.
21 That concludes the hearing today.

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STATE OF VIRGINIA,
COUNTY OF BUCHANAN, to-wit:

I, SONYA MICHELLE BROWN, Court Reporter and Notary
Public for the State of Virginia, do hereby certify that the
foregoing hearing was recorded by me on a tape recording
machine and later transcribed by me personally.

Given under my hand and seal on this the 1st day
of June, 1998.

NOTARY PUBLIC

My commission expires August 31, 2001.