

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

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5 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

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7 VIRGINIA GAS AND OIL BOARD

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14 FEBRUARY 2, 1999

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22 Reported by:
23 JAY RIFE, Court Reporter
24 Rife & Associates
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4 BENNY WAMPLER: Okay. Good morning. My name is
5 Benny Wampler. I'm Deputy Director for the Virginia
6 Department of Mines, Minerals, and Energy and Chairman of the
7 Gas and Oil Board, and I'll ask the members to introduce
8 themselves at this time starting with Mason.

9 MASON BRENT: My name is Mason Brent. I'm from
10 Richmond and I represent the gas and oil industry.

11 MAX LEWIS: My name is Max Lewis. I'm from Buchanan
12 County. I represent the citizens.

13 SANDRA RIGGS: I'm Sandra Riggs with the office of
14 the Attorney General, here to advise the Board.

15 CLYDE KING: I'm Clyde King from Abingdon. I'm a
16 public representative.

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

19 BENNY WAMPLER: The first item on the agenda today,
20 we're reconvening docket numbers for consideration of
21 applications filed by Hugh McRae Land Trust and Garden
22 Realty, with calculation there for disbursement of client's
23 funds on deposit. For...for docket numbers VGOB-97-0415-
24 0579-01 and VGOB-97-0520-50582-01, VGOB-97-0520-0580-01,
25 VGOB-97-0415-0576-01, VGOB-97-0520-0581-01, and VGOB-97-0415-

1 0577-01. We'd ask the parties that wish to address the Board
2 in this matter to come forward at this time, please. If you
3 will, introduce yourselves, starting with Jill.

4 JILL HARRISON: Good morning Mr. Chairman, members
5 of the Board. I'm Jill Harrison. I practice with Penn
6 Stuart here in Abingdon. Today I'm representing on this
7 matter Hugh McRae Land Trust and Garden Realty Corporation.

8 DALE DITZ: I'm Dale Ditz from First Virginia Bank,
9 the escrow agent.

10 MARK SWARTZ: Mark Swartz, I'm representing
11 Pochahontas Gas Partnership and Buchanan Production Company.

12 JILL HARRISON: And I should add that I have Jack
13 Meade here, who is a Director of Garden Realty Corporation.

14 PAMELA KEENE: I'm not sure if I caught the first
15 numbers right, but I'm for Carlos Hale's heirs in Buchanan
16 County.

17 BENNY WAMPLER: Okay. Do you have the...the docket
18 number? Does it say that on there?

19 PAMELA KEENE: It's VGOB-99-0246-0709.

20 BENNY WAMPLER: All right. That'd be number ten
21 (10) on the agenda. We'll call that. It'll be a few minutes
22 before we get to that.

23 PAMELA KEENE: Okay.

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1 BENNY WAMPLER: All right. We've had new language
2 presented to us, language in disbursement order. I believe
3 that's language that's agreed to, is that correct?

4 JILL HARRISON: Yes, sir.

5 MARK SWARTZ: Yes.

6 BENNY WAMPLER: Now, we had last month left open an
7 item that was brought up right at the end of the agenda
8 saying that...that this is the language under consideration
9 could impact Board ordered language that we had previously
10 approved in the January hearing, and the Board...and I
11 represented to Ms. Harrison that the Board had duly adopted
12 that language as presented in the January...at the January
13 hearing, and I guess what I'm trying to determine, is there a
14 dispute with that language that was adopted at that time,
15 which is different than that language we're considering today
16 for those...for those six (6) NELW-10, 9, 5, 6, 7, 8?

17 MARK SWARTZ: I guess, you know, if we have an
18 agreement, I would...you know, if we have an agreement, I
19 would prefer that maybe we do an agreed order just amending
20 that language to, you know, be the same as this. I mean,
21 we're entering some...we're about to enter some orders that
22 would modify...appear to modify that anyway.

23 JILL HARRISON: We have no objection to that.

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1 MARK SWARTZ: Basically, we're talking about
2 substituting this language that...that we've got this morning
3 for paragraph 5.1 in some of the orders I've, you know, I've
4 recently received.

5 SANDRA RIGGS: Do we take out the entire 5.1---?

6 MARK SWARTZ: Correct.

7 SANDRA RIGGS: ---and...and substitute, is that
8 what we're saying?

9 MARK SWARTZ: Correct.

10 CLYDE KING: Now, that's just the language we've got
11 today. Do we need a motion, Mr. Chairman, to this?

12 BENNY WAMPLER: Yes, we will.

13 CLYDE KING: I so move that we accept this.

14 BENNY WAMPLER: Have a motion to accept this
15 language.

16 MAX LEWIS: I second it.

17 BENNY WAMPLER: Motion and second. Any further
18 discussion? All in favor, signify by saying yes.

19 (Board signifies yes.)

20 BENNY WAMPLER: Opposed, say no. Unanimous
21 approval.

22 (Board confers among themselves.)

23 BENNY WAMPLER: I think all the parties have
24

1 received copies of the draft order for consideration for
2 these units, and I guess at this point in time, we'd ask if
3 there's any other amendments other than 5.1 agreed language
4 that...that would be requested for these orders?

5 MARK SWARTZ: Well, before we started today, we were
6 talking about a couple of differences in the order and...and
7 spreadsheets that Jill had, specifically, tract 47 in NELW-10
8 and tract 52, also in that unit. We had...we had e-mailed
9 spreadsheets to everybody Friday afternoon before the last
10 hearings. Then we got some additional information from the
11 bank after...after we had done that. There were some
12 revisions between then and the hearing, and we've looked at
13 what was presented at the hearing with regard to NELW-10 and
14 these two tracts, and it's pretty obvious there was a mistake
15 in that spreadsheet. Les has been on the phone this morning
16 and we've confirmed that and it's...it's being re...
17 reconfigured. If the number isn't exactly the same as it was
18 Fri...in the e-mail Friday, it's going to be very close.
19 But, it's obvious from what I looked at this morning that
20 there's more money in the account than was allocated. So,
21 there's...there's just clearly a mistake there that needs to
22 be straightened out on NELW-10 and Les may have those...those
23 numbers.

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1 LES ARRINGTON: They're faxing the whole...they're
2 going to fax all the totals.

3 MARK SWARTZ: Okay.

4 LES ARRINGTON: To that set.

5 MARK SWARTZ: They're faxing it here, so we'll have
6 it momentarily. With regard to SLW-6, there was a difference
7 that Jill had questioned and we've...we've reviewed it and
8 it's...it's our impression and opinion that...that what the
9 Board got that Tuesday morning in printed form was correct
10 and the number you got in the order was correct. There was a
11 minimal difference, but that's the correct one.

12 SANDRA RIGGS: Okay. So, we only have one order
13 that needs to be revised other than the 5.1 language.

14 MARK SWARTZ: Correct.

15 SANDRA RIGGS: The others, I guess we can approve
16 for entry.

17 BENNY WAMPLER: Any other changes for entry of those
18 orders?

19 JILL HARRISON: I just want to make a statement for
20 the record. It indicates in there that Garden Realty and
21 Hugh McRae Land Trust had their quote "experts" review the
22 accounting and I don't...my office is the one that reviewed
23 the accounting and we don't consider ourselves to be experts

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1 in the field of accounting and spreadsheets and all that.
2 I'm not saying that it has to be changed. I just want it to
3 be on record that we don't consider ourselves experts in that
4 area.

5 SANDRA RIGGS: I thought I heard that you brought
6 somebody in over the weekend to review the royalty
7 statements?

8 JILL HARRISON: No, my staff and I worked all
9 weekend to review the royalty statements. I brought them in,
10 but they were my staff.

11 SANDRA RIGGS: I just misunderstood what you said.

12 BENNY WAMPLER: Okay. Anything else on that? We
13 want to just put this on hold until we get those in. Is that
14 okay with everyone? We'll just suspend where we are and call
15 the next agenda item for expedience, and as soon as that gets
16 in, we'll ask if you'll bring it, and we'll recall it back.

17 JILL HARRISON: Thank you.

18 BENNY WAMPLER: Thank you. The next item on the
19 agenda is a petition from Pochahontas Gas Partnership for
20 pooling of coal bed methane unit identified as N-46, docket
21 number VGOB-98-12/15-0701 and we'd ask the parties that wish
22 to address the Board in this item come forward at this time.

23 MARK SWARTZ: Mark Swartz, representing Pochahontas
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1 Gas Partnership and Les Arrington is...is also here this
2 morning.

3 BENNY WAMPLER: Records show there are no others,
4 you may proceed.

5 MARK SWARTZ: Just to kind of bring you up to speed
6 on...on this. This was set for the December docket and it
7 was continued at our request to allow us to continue leasing.
8 We had had pretty good success. Les is handing out a
9 revised exhibit B3 which indicates that we did, in fact,
10 lease a lot of folks and so we're going to be moving to
11 dismiss everyone except the people that are now listed on the
12 revised exhibit B3. The folks on the revised exhibit B3 are
13 heirs of a deceased individual that...that we noticed
14 originally. So, we haven't added people. It's the same
15 interest. It's just that we've determined it through our
16 title worker that someone had identified...has passed away
17 and those are their heirs and we're trying to lease them as
18 well. So, and obviously Exhibit A, page two which is this
19 sort of status of the unit in terms of what...what it is we
20 have leased or...or owned versus what we need to pool.
21 That...that has been changed, of course, because we've
22 obtained additional leased interests. So, that's...that's
23 kind of where we are on...on that unit and we'd like to

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1 proceed to pool this. The remaining folks, and if we get a
2 lease, great, but we probably need to move on with this at
3 this point. Les, could you...may he be sworn here?

4 (Witness is first duly sworn.)

5 LESLIE K. ARRINGTON

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

8 DIRECT EXAMINATION

9 QUESTIONS BY MARK SWARTZ:

10 Q. You need to state your name for the record,
11 please.

12 A. Leslie K. Arrington.

13 Q. And who do you work for?

14 A. Pochahontas Gas...Consol, sorry.

15 Q. Okay. Do you have a title?

16 A. Permit Specialist.

17 Q. Okay. Does Consol have a relationship with
18 Pochahontas Gas?

19 A. Yes.

20 Q. Okay, and are you in effect a person that
21 works for Consol who's furnished to Pochahontas Gas to do
22 their permitting work and their pooling work?

23 A. Yes.

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1 Q. Okay. Did you prepare the notice of
2 hearing, the application, and either prepare or supervise the
3 preparation of the exhibits that we have here this morning?

4 A. Yes, I did.

5 Q. And did you supervise the mailing?

6 A. Yes, I did. It was...it was mailed on
7 November 13th, 1998, by certified mail to return receipt
8 requested.

9 Q. And have you filed proof of mailing and a
10 status of mailing this morning?

11 A. Yes, we have.

12 Q. Okay, and that would show when the mail was
13 received and who signed...or who signed for it and so forth,
14 right?

15 A. Yes. Yes.

16 Q. Was this published?

17 A. Yes, it was in the Bluefield Daily
18 Telegraph, on November the 20th, 1998.

19 Q. And the notice was published?

20 A. Yes.

21 Q. And a map was published?

22 A. Yes.

23 Q. And you've filed with the Board this morning
24

1 proof of that publication?

2 A. Yes, I have.

3 Q. Okay. The applicant here is Pochahontas Gas
4 Partnership?

5 A. Yes, it is.

6 Q. Is Pochahontas Gas Partnership a Virginia
7 general partnership?

8 A. Yes, it is.

9 Q. Are it's two partners Consolidation Coal
10 Company and Conoco, Inc?

11 A. Yes, it is.

12 Q. Does the application request that Consol be
13 designated the operator?

14 A. Yes.

15 Q. I'm sorry.

16 A. Pochahontas Gas, I'm sorry.

17 Q. Okay. So, who---?

18 A. We're moving.

19 Q. ---Yeah. So, who is it that this app...that
20 the applicant request be the operator here?

21 A. Pochahontas Gas.

22 Q. Okay.

23 MASON BRENT: Are you sure?

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1 A. Yes.

2 Q. There'll be one that it won't shortly.

3 TOM FULMER: You have a 50/50 chance on that.

4 Q. Exactly. Exactly. Okay. Is Pochahontas
5 Gas Partnership authorized to do business in the
6 Commonwealth?

7 A. Yes, it is.

8 Q. Is it registered with the DMME and does it
9 have a blanket bond on file?

10 A. Yes, it is.

11 Q. Okay. Originally, the respondents, there
12 were several heirships and some individuals?

13 A. Yes, there was.

14 Q. Okay. But, you've filed a revised list of
15 respondents this morning?

16 A. Yes, I have.

17 Q. And that would be the revised Exhibit B3?

18 A. Yes, it is. As exhibit...or page number
19 nine (9).

20 Q. And what...what has caused that list of
21 respondents to change from when you first filed?

22 A. Okay. When we first filed it, we didn't
23 have the majority...we didn't have any of the Mary McNeal

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1 heirs leased. To date, now we have the vast majority of that
2 leased. You can see that on...on there, that Exhibit B3.
3 And then we also did not have the James M. McGuire Trust
4 leased, and that tract had been leased.

5 Q. And then, if you continue on with the
6 revised exhibits today there's a...is there a revised Exhibit
7 A page, two (2)?

8 A. Yes, it is.

9 Q. Okay, and what is the percentage or the
10 interest that you're seeking to pool by this application?

11 A. 0.93542 percent of the coal, oil, and
12 gas...coalbed methane.

13 Q. And that's both the coal interest and the
14 oil and gas interest?

15 A. Yes, it is.

16 Q. Okay, and...and what percentage have
17 you...does Pochahontas Gas Partnership either own or lease?

18 A. We lease 99.06458 of the coal, oil, and gas
19 limit.

20 Q. Do you want to dismiss the respondents that
21 you originally listed who are not now listed on the revised
22 Exhibit B3?

23 A. Yes, we do.

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1 Q. And the reason for that would be that they
2 have been leased?

3 A. Yes, they have.

4 Q. Do you want to add any respondents, or at
5 least identify some of the respondents?

6 A. The only parties that we want to add are the
7 parties listed on B3 and those two parties are actually heirs
8 of Virgie Clifton, which was originally listed.

9 Q. Okay, and...and what are their names? Is
10 that Darrus and Kyle?

11 A. Yes, it...yes, it is.

12 Q. Okay, and they're heirs of Virgie, who you
13 named in the original application, but it turns out is
14 deceased?

15 A. Correct.

16 Q. Okay, and this is a...this proposed unit is
17 an eighty (80) acre Oakwood One unit?

18 A. Yes, it is.

19 Q. And it would have a frac well then?

20 A. Yes, it does. It has frac well N-46 in it.

21 Q. And it's already been drilled?

22 A. It has.

23 Q. Okay, and there's a plat map which shows the
24

1 location of that well?

2 A. Yes, it does.

3 Q. And it's within the drilling window,
4 correct?

5 A. Yes. Correct, it is.

6 Q. So, Mr. Fulmer would not need to...you
7 wouldn't have to go to him for a location?

8 A. That's correct.

9 Q. Have you attached a statement with regard to
10 the cost associated with that well?

11 A. Yes, I have.

12 Q. And...and what were the costs?

13 A. \$259,716.80.

14 Q. And what was the total depth of the well?

15 A. 2465 feet.

16 Q. And the permit number for that well?

17 A. 3841.

18 Q. And when was it drilled?

19 A. October 19, 1998.

20 Q. The lease terms that you've been offering
21 are what?

22 A. A one-eighth (1/8) royalty, a dollar (\$1)
23 per acre, five (5) year term for a coalbed methane lease.

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1 Q. And there's been...and the leases you've
2 been offering provide that once production starts, then only
3 the royalty is payable as opposed to the rental?

4 A. That's correct, it is.

5 Q. Would you recommend those terms to the Board
6 to be included in any pooling order it might enter?

7 A. Yes, we do.

8 Q. Is it your opinion that the plan for frac
9 development here is a reasonable plan to degas the coal seams
10 lying under...below the Tiller and under and within this unit
11 N-46?

12 A. Yes, it is.

13 Q. And would you recommend the same to the
14 Board as a reasonable means to protect correlative rights and
15 develop the methane resource?

16 A. Yes, it is.

17 Q. That's all I have.

18 BENNY WAMPLER: On your Exhibit A, page two that you
19 presented today revised, under the percentage of coal owned
20 or leased, I thought you said it was 99.06458. My document
21 shows 94.3875.

22 LES ARRINGTON: Okay. That percentage of coal owned
23 or leased, we don't...we only have the coalbed methane lease
24

1 with the Mary McNeal heirs.

2 BENNY WAMPLER: So, this number is correct?

3 LES ARRINGTON: Uh-huh.

4 CLYDE KING: Mr. Chairman, I have just a small
5 question. In the map on the original, is a part of this
6 property in West Virginia?

7 LES ARRINGTON: No.

8 CLYDE KING: No, okay.

9 MARK SWARTZ: What provoked your question, the
10 little map up here is the Oakwood field and it actually runs
11 across the line, okay. The unit is down here and is
12 definitely in Virginia.

13 CLYDE KING: I thought it looked like it was---.

14 MARK SWARTZ: Right. We managed somehow to persuade
15 the Board to pool the Oakwood field right across the state
16 line.

17 BENNY WAMPLER: No, we did not. We stopped at the
18 border.

19 MARK SWARTZ: Good question.

20 MASON BRENT: What are the estimated reserves?

21 LES ARRINGTON: All right. That's listed in
22 paragraph nine (9) of the application.

23 MASON BRENT: It's got 125 to 550.

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1 MAX LEWIS: 159,000.

2 MASON BRENT: Can you narrow that anymore, or that's
3 what it is?

4 LES ARRINGTON: I'd refer that question to Mark.

5 MARK SWARTZ: We probably, if you want more specific
6 information, I need to get Claude up here on that. Well, he
7 needs to be sworn.

8 (Witness is first duly sworn.)

9 MARK SWARTZ: You need to state your name for the
10 record.

11 CLAUDE MORGAN: Claude Morgan.

12 MARK SWARTZ: Did you hear their question?

13 CLAUDE MORGAN: Yes, we would make an estimate of
14 that of about, because we haven't got the thing fractured and
15 fully (inaudible) at this point, but based on thicknesses and
16 contents in the area, we'd estimate it at about 350 million.

17 MASON BRENT: Thank you.

18 BENNY WAMPLER: Any other questions from members of
19 the Board? Do you have anything further?

20 MARK SWARTZ: No.

21 BENNY WAMPLER: Is there a motion?

22 MASON BRENT: Mr. Chairman, I move that we grant the
23 application.

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1 CLYDE KING: Second.

2 BENNY WAMPLER: The motion and seconded. Any
3 further discussion? All in favor, signify by saying yes.

4 (All Board members say yes.)

5 BENNY WAMPLER: Opposed, say no. We have approval.

6 The next item on the agenda, the Board will
7 consider petition from Pochahontas Gas Partnership for
8 pooling of coalbed methane unit identified as Y-44, docket
9 number VGOB-98-12/15-0702, and we'd ask the parties that wish
10 to address the Board in this matter to come forward at this
11 time.

12 MARK SWARTZ: Again, Mark Swartz, Les Arrington, and
13 Claude Morgan representing Pochahontas Gas Partnership.

14 BENNY WAMPLER: Records show there are no others.
15 You may proceed. Your witnesses have been previously sworn.

16 MARK SWARTZ: I would...I would invite the Board to
17 consider consolidating, and I'll go by unit numbers so bear
18 with me here. There's six (6) related units. Y-44; Z-44,
19 which would be the next one; DB-50, which is item five (5);
20 Z-49, item six (6); DB-50, which is item seven (7); and item
21 eight (8) which is X-45. These...these all involve basically
22 the same respondents...not...I don't think they're identical
23 in each unit, but they're pretty much the same. They

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1 certainly involve Triple M and the Harmons, I think; and they
2 also involve an issue where the...the Pochahontas Three seam
3 is owned separate and apart from the other below drainage
4 seams. So, there's a technical issue with regard to gas
5 allocation coming out of these well bores on these six (6)
6 units. I don't know if...if in looking at the pooling
7 application and the title information, that there's an
8 indication that the P-3 seam is owned separately and apart
9 from the other below drainage seams. Claude's here this
10 morning. He's done a workup, a fair amount of work actually,
11 to enable him to discuss with the Board how we propose to
12 allocate production from these frac wells. So, if
13 there...and these are pretty simple poolings except for the
14 allocation issues and they involve common issues. So, rather
15 than do this six (6) times, if...I would...I would propose
16 that you consider letting us, you know, we'll walk through it
17 a little more slowly in terms of the parties, but let us
18 consolidate this so that the record would be complete with
19 regard to all these units.

20 BENNY WAMPLER: While we're considering this, is
21 that the fax we've been waiting on?

22 LES ARRINGTON: Uh-huh.

23 BENNY WAMPLER: Let's give everybody a minute to see
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1 if those...those numbers are---.

2 CLYDE KING: You want to include all these in one.

3 MARK SWARTZ: Just for the hearing.

4 BENNY WAMPLER: In other words, you want us to call
5 them all for purposes of the hearing so that the presentation
6 be essentially the same, he's saying, for each of the six
7 (6), not necessarily the parties.

8 (Board confers among themselves.)

9 SANDRA RIGGS: And it only impacts on Northeast
10 Longwall Ten (10), right?

11 CLAUDE MORGAN: Right.

12 JILL HARRISON: It says South Longwall Ten (10), but
13 it's really Northeast Longwall.

14 MARK SWARTZ: Just change the...

15 JILL HARRISON: Yeah.

16 (Board confers.)

17 BENNY WAMPLER: Okay. We're going to reconvene the
18 first item we had on the agenda since we have the fax in. I
19 think that's all we lacked. Mr. Swartz, you want to tell us
20 what we have here, or Mr. Arrington, whichever?

21 MARK SWARTZ: We had talked earlier that there was
22 an obvious mistake with regard to tracts 47 and 52 on the
23 NELW-10 spreadsheet. Les called this morning and...and I'll

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1 let him tell you, but determined there was a...what
2 mistake...what caused the mistake apparently in the
3 spreadsheet and...and give you the updated figures.

4 LES ARRINGTON: Yes, what happened on the
5 spreadsheet was, when we done these things, we found them in
6 two different files and when we seen that we needed to make
7 one spreadsheet, I had her bring it into one spreadsheet. It
8 changed all cell numbers, but I had already reviewed the
9 piece and I just had her attach the bottom to it and thus the
10 mistake. So, she has corrected it on the one file and we
11 should have the proper numbers now. And I'll...I'll...
12 tomorrow or this afternoon, I'll get a new spreadsheet
13 copied.

14 SANDRA RIGGS: To attach to this?

15 LES ARRINGTON: Yes, I will.

16 BENNY WAMPLER: Okay. I guess we're at the point we
17 need an order from the Board for approval of these
18 disbursements.

19 CLYDE KING: I so move, Mr. Chairman.

20 MASON BRENT: Second.

21 BENNY WAMPLER: Second. Further discussion? All in
22 favor, signify by saying yes.

23 (All Board members say yes.)

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1 BENNY WAMPLER: Opposed, say no. We have approval.

2 JILL HARRISON: Thank you.

3 BENNY WAMPLER: Thank you.

4 JILL HARRISON: May I ask you just a couple of
5 procedural questions to know where we're going from here? I
6 have provided to Mr. Ditz, and I have a copy for both of you,
7 all of our wire transfer instructions and I'll give that to
8 you. You had previously mentioned last month a cutoff date
9 of February the 28th. Is that a date that we're still
10 working under?

11 BENNY WAMPLER: Last day of the month.

12 JILL HARRISON: Okay. I just want them to...be able
13 to give them a date when they can expect something to occur.
14 On the remaining Torch Consol units, I know that six of the
15 units were included in the accounting information that you
16 provided the last time. But, there are a number of other
17 remaining units that are not on appeal. Have we set a time
18 frame at this point, then, to have the accountings done on
19 those units?

20 LES ARRINGTON: I...I hope to have those on the
21 March docket. I hope to.

22 BENNY WAMPLER: You said you'd make a---

23 MARK SWARTZ: We're done with EPA and we've got some

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1 problems with tools that we're working on, but we're working
2 on it.

3 JILL HARRISON: Well, if you all want to feed us one
4 at a time, if it's convenient.

5 BENNY WAMPLER: He'll give those...at least get
6 everything that we can get.

7 JILL HARRISON: Right, and then, you know, what we
8 had done to compare them, we had taken what Mark had
9 previously provided to us, the accounting information, and
10 compared it with the spreadsheets and that was our check. In
11 this situation, we won't have separate accounting information
12 that's all going to be in one spreadsheet. That...is
13 that...that's my understanding. Is that right, or will we
14 get---?

15 MARK SWARTZ: Well, your attorneys in the federal
16 court litigation have this information if they want to
17 compare it on disks from the royalty accounting.

18 JILL HARRISON: All right.

19 MARK SWARTZ: So, you can ask them.

20 JILL HARRISON: Okay. Great.

21 MARK SWARTZ: You give this stuff to people. But,
22 they've got it. I mean, just call Scott. He's got it.

23 JILL HARRISON: All right. I'll do it. And then
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1 the other matter was, in order to take advantage of the tax
2 credit information, Ms. Riggs had previously provided to me
3 roy...actually copies of the royalty statements that the
4 banks had for some of the units. So, I wanted to find out
5 from Mr. Ditz where the royalty statements are physically
6 located so that I can have someone come and copy the
7 remaining information that they'll need to get the tax
8 credit.

9 DALE DITZ: If they're what I think we're talking
10 about, they're in my office in Bristol.

11 JILL HARRISON: Okay. Great.

12 DALE DITZ: But, I...I, you know---.

13 SANDRA RIGGS: They are.

14 DALE DITZ: ---all of the originals---.

15 SANDRA RIGGS: The files that you have, the backup
16 with the checks that you put in the file by unit number.

17 DALE DITZ: ---as far as I know, we have all of
18 them that originated from Premier have been transferred to my
19 office in Bristol.

20 JILL HARRISON: All right. Well, since I know
21 you're shorthanded, would it be all right if I had a
22 paralegal come down and make copies of everything?

23 DALE DITZ: Certainly.

24

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1 JILL HARRISON: Great.

2 DALE DITZ: Yes.

3 JILL HARRISON: Thank you all very much.

4 BENNY WAMPLER: Okay. Anything further? Thank you.

5 JILL HARRISON: Thank you. Thank you very much. We
6 appreciate it.

7 BENNY WAMPLER: The...the grouping that Mr. Swartz
8 asked for before we reconvene, number one, does anyone have
9 any objection if I go ahead and call those other docket
10 numbers? Hearing none, we'll go ahead and call docket number
11 VGOB-98-12/15-0703, VGOB-98-12/15-0704, VGOB-98-12/15-0705,
12 VGOB-98-12/15-0706, VGOB-98-12/15-0707. We'd ask the parties
13 that wish to address the Board in these matters to come
14 forward at this time.

15 MARK SWARTZ: Again, it's Mark Swartz and Les
16 Arrington and Claude Morgan on behalf of Pochahontas Gas
17 Partnership.

18 BENNY WAMPLER: Record shows there are no others.
19 You may proceed.

20 MARK SWARTZ: Just give Les a minute here to get the
21 exhibits together. I'll pass them out.

22 (Papers are handed out.)

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LESLIE K. ARRINGTON

QUESTIONS BY MARK SWARTZ:

Q. Les, you're already under oath. We need you to state your name again for us.

A. Leslie K. Arrington.

Q. Who do you work for?

A. Consol.

Q. Okay. Does Consol have a relationship with Pochahontas Gas Partnership?

A. Yes.

Q. Okay, and...and does Consol furnish your services to Pochahontas for certain tasks?

A. Yes, it does.

Q. Okay, and did you prepare the notice of hearing, the application, and either prepare or cause to be prepared under your supervision the exhibits that we're dealing with today?

A. Yes, I did.

Q. Okay. In all six of these poolings that...that we have consolidated for hearing, is Pochahontas Gas Partnership the applicant in all of them?

1 A. Yes, it is.

2 Q. Okay, and Pochahontas Gas Partnership is a
3 Virginia General Partnership that has two partners,
4 Consolidation Coal Company and Conoco, Inc., is that correct?

5 A. That's correct.

6 Q. In all six of these instances, is the
7 applicant requesting that it be designated the operator?

8 A. Yes, it is.

9 Q. Okay, and is Pochahontas Gas Partnership
10 authorized to do business in the Commonwealth?

11 A. Yes, it is.

12 Q. Has it registered with the DMME and does it
13 have a blanket bond on file?

14 A. Yes, it does.

15 Q. In each of these pooling applications, the
16 parties that you're seeking to pool are set forth in the
17 notice of hearing, correct?

18 A. They are.

19 Q. And then they're also listed on Exhibit B3?

20 A. They are. Yes, they are.

21 Q. Do you want to amend to add any respondents
22 to any one of these applications today or amend to dismiss
23 any respondents?

24

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1 A. No.

2 Q. Okay. Originally, we had...Mr. Harris Hart,
3 who's an attorney in Tazewell had indicated that he was going
4 to be preparing...appearing for Triple M, correct?

5 A. That's correct.

6 Q. And it was continued for the reason that he
7 couldn't make one of the hearings, I think, and then there
8 was also some expectation that maybe we could work something
9 out with them, correct?

10 A. That's correct.

11 Q. And we have at least...although negotiations
12 are continuing as of this date, we have not been able to
13 reach a voluntary agreement?

14 A. That's correct.

15 Q. But, apparently we have, in the course of
16 our discussions, caused them to not come and oppose this
17 today?

18 A. We have.

19 Q. The...the applicants are a little different
20 from one ampliation to the next, correct?

21 A. They are.

22 Q. But, in general, they involve the Harmons
23 and Triple M?

24

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1 A. They...that's correct, it does.

2 Q. Okay. If we start...well, let's just ask a
3 couple more general questions. Did you mail notice of the
4 hearings in each of these six...in regard to each of these
5 six applications?

6 A. Yes, we did. In...in each one of them, they
7 were all mailed on November 13, 1998 and then it was...the
8 notice was also published in the Bluefield Daily Telegraph on
9 November 20th, 1998.

10 Q. And the...have you filed this morning a
11 proof of publication and your proofs with regard to mailing?

12 A. We have.

13 Q. The...is...is each of these units an 80 acre
14 Oakwood One unit?

15 A. It is.

16 Q. And that...and each of them is a frac unit?

17 A. Yes, it is.

18 Q. Okay. Starting with Y-44, okay, which is
19 the 0702 docket number.

20 A. Yes.

21 Q. In this particular unit there's one frac
22 well?

23 A. Yes, it is.

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1 Q. It's located within the drilling window?

2 A. Yes, they are.

3 Q. Just from the standpoint of ownership here,
4 if we look at the tract identifications, it shows Coal
5 Mountain as owning tract 39 in fee?

6 A. Yes, it does.

7 Q. And then it shows the Harmon heirs owning
8 one half ($\frac{1}{2}$) of the Pochahontas Three seam coal and one half
9 ($\frac{1}{2}$) of the coal below the Tiller, is that correct?

10 A. It does.

11 Q. Okay. So, is this an instance where there
12 is separate ownership of the Pochahontas Three seam?

13 A. Yes, it is.

14 Q. Okay. With regard to Y-30, excuse me Y-44,
15 is the well already drilled?

16 A. Yes, it is.

17 Q. And does it bear permit number 3761?

18 A. Yes, it does. It was drilled on September
19 15, 1998 to a total depth three...2391 feet.

20 Q. And have you provided cost information with
21 regard to that well to the Board?

22 A. Yes, I have. The cost was \$257,819.83.

23 Q. And that's in Exhibit C?

24

1 A. Yes.

2 Q. The ownership information pertaining to...to
3 unit Y-44 on Exhibit A page two (2) indicates that you're
4 seeking to pool a coal interest and an oil and gas interest
5 of .425 percent, correct?

6 A. That's correct, it does.

7 Q. And that you have leased 99.575 percent of
8 both sides of the interest?

9 A. We have.

10 Q. With regard to unit Z-44 which is the 703
11 docket number.

12 TOM FULMER: Mr. Chairman?

13 BENNY WAMPLER: Mr. Fulmer.

14 TOM FULMER: I think there's an Exhibit B-3 that
15 needs to be corrected.

16 BENNY WAMPLER: B-3?

17 TOM FULMER: B-3, Y-44.

18 Q. Why?

19 TOM FULMER: .348 acres is 32 percent of the unit.

20 Q. Well---

21 A. Oh, I see that. Okay.

22 Q. That should also be .425 percent, correct?

23 A. That's correct, it should be.

24

--

1 Q. Okay, and then we've got the same problem on
2 exhibit---

3 CLYDE KING: .425?

4 Q. Yeah. The...the percentage opposite the
5 Triple M acreage is a correct percentage and it needs...needs
6 to be the same opposite the Harmons collectively. So, it
7 should be .425 percent. We've got the same problem on
8 Exhibit E, so we need to straighten that out as well.

9 BENNY WAMPLER: Thank you, Mr. Fulmer.

10 Q. With regard to Z-44, we're talking about one
11 well, correct?

12 A. Yes, we are.

13 Q. Again, a frac well?

14 A. Yes.

15 Q. And if you look at the plat, is it within or
16 without the drilling window?

17 A. It's within the drilling window.

18 Q. Okay. Has this well been drilled?

19 A. Yes, it has.

20 Q. And permit number is 3871?

21 A. Yes, it was drilled on September the 7th,
22 1998 to a total depth of 2216 feet.

23 Q. And have you provided cost information to
24

1 the board in the form of Exhibit C?

2 A. Yes, we have.

3 Q. And what is that cost?

4 A. Total cost...total cost is \$243,590.60.

5 Q. Exhibit A, page two (2) with regard to the
6 Z-44 unit indicates that the coal and oil and gas interest in
7 CBM that needs to be pooled by this application is 18.825
8 percent, is that correct?

9 A. That's correct.

10 Q. And what percentages on the coal and oil and
11 gas site have you previously leased?

12 A. We...we've leased 100 percent of the coal
13 and we've leased 81.175 percent of the coal on the gas
14 coalbed methane.

15 Q. Okay. Okay, and you show that down at the
16 bottom?

17 A. Yes, I do.

18 Q. Okay. So, essentially the differences on A
19 page two (2) in the numbers is accounted for by the P-3 seam
20 ownership again?

21 A. That's correct.

22 Q. Okay, and if we go to Exhibit B3 in...with
23 regard to the Z-44 unit, it...it again shows that we have

24

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1 split...or separate ownership of a portion of the Pochahontas
2 Three seam?

3 A. Yes, it does.

4 Q. Okay. Turning to unit DD-50, which is the
5 docket number that ends in 0704, is this an 80 acre frac unit
6 under Oakwood One?

7 A. Yes, it is.

8 Q. Okay, and it has one well within the
9 drilling window?

10 A. Yes, it does.

11 Q. Has that well already been drilled?

12 A. Yes, it has.

13 Q. What's the permit number and other
14 information?

15 A. Permit number is 3671. It was drilled on
16 6/24/98 to a total depth of 2037. Exhibit C shows the cost
17 of that well being \$245,650.50.

18 Q. And with regard to this unit, the coal and
19 oil and gas interest in the coalbed methane that you're
20 seeking to pool is 9.6875 percent, is that correct?

21 A. That's correct.

22 Q. And the leased coal, oil and gas interests
23 are 90.3125% percent, is that correct?

24

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1 A. That's correct.

2 Q. And here we've got...again have a exhibit B3
3 which discloses Pochahontas Three seam ownership?

4 A. It does.

5 Q. Okay. That's distinguished from other deep
6 coal?

7 A. It does. Yes, it does.

8 Q. And with each of these pooling applications,
9 have you also submitted an Exhibit E which lists the
10 conflicting owners and claimants, at least at this point in
11 time?

12 A. It does.

13 Q. Okay. So, there's...there's one with
14 every application?

15 A. Yes, it is.

16 Q. Turning to Z-49 which is docket 0705, is
17 this an 80 acre frac unit?

18 A. Yes, it is.

19 Q. Again, we have a single well, correct?

20 A. That's correct.

21 Q. In the middle of the drilling window?

22 A. Within the drilling window, yes.

23 Q. Okay. Has that well been drilled?

24

1 A. Yes, it has. It was drilled on July 9th,
2 1998. Permit number is 3670, to a total depth of 2056, and
3 the Exhibit C reflects its cost of \$232,496.80.

4 Q. Turning to Exhibit A page two (2), in this
5 instance you're seeking to pool the coalbed methane
6 interests, or claims of coal and oil and gas, totaling 16.075
7 percent?

8 A. That's correct, we are.

9 Q. And the leased interest on both sides, coal
10 and oil and gas, are currently 83.925 percent?

11 A. It is.

12 Q. And then, again, with regard to Exhibit B3,
13 it would again show separate ownership by the Harmons of the
14 Pochahontas Three seam?

15 A. Yes, we do.

16 Q. On a coal...on the coal, sorry.

17 A. On...yes.

18 Q. Okay, and then M & M...or, Triple M would
19 have the oil and gas fee ownership, correct?

20 A. Oil and gas, yes. Sorry.

21 Q. Then, with regard to docket number 0706,
22 which is unit BB-50, we again have a 80 acre frac unit?

23 A. Yes, we do.

24

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1 Q. With one well?

2 A. Yes.

3 Q. Has that well been drilled?

4 A. Yes, it has. It was drilled on July 17th,

5 1998. Permit number 3672 to a total depth of 22,060 feet

6 and Exhibit C reflects its cost of being \$248,273.70.

7 Q. And is that well in the...within the

8 drilling window?

9 A. Yes, it is.

10 Q. And, again, do we have a separate ownership

11 issue with regard to the Pochahontas Three seam?

12 A. Yes, we do.

13 Q. Okay. And that's disclosed by Exhibit B3?

14 A. Yes, it is.

15 Q. The last unit is 0707, it's the X-45 unit.

16 And, again, is this an 80 acre frac unit?

17 A. Yes, it is.

18 Q. One well?

19 A. Yes.

20 Q. Inside the drilling window?

21 A. Yes, it is.

22 Q. Has it been drilled?

23 A. Yes, it has. Drilled July 23rd, 1998.

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1 Permit number 3736, total depth 2240 feet and Exhibit C
2 reflects the cost of \$242,770.

3 Q. With regard to this unit, Exhibit A page two
4 (2) shows that the coal and oil and gas interests or claims
5 in coalbed methane that need to be pooled are 32.55 percent,
6 correct?

7 A. Yes, it does.

8 Q. And that the applicant has managed to lease
9 67.45 percent of both sides of the interest, correct?

10 A. That's correct.

11 Q. And, again, we've got a Exhibit B3
12 pertaining to unit X-45 that discloses separate ownership of
13 at least a portion of the Pochahontas Number Three coal seam?

14 A. It does.

15 Q. Now, to the extent that you've obtained
16 leases, what have your lease terms been?

17 A. One-eighth (1/8) royalty, five (5) year
18 term, a dollar (\$1) per acre rental.

19 Q. And have you provided in those leases that
20 once production commences, the rental ceases?

21 A. Yes, we have.

22 Q. Would you recommend to the Board that in any
23 pooling orders they might enter with regard to these six (6)

24

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1 units, that they incorporate those terms in any deemed to
2 have leased provision?

3 A. Yes, we would.

4 Q. Is it your opinion that the frac wells that
5 we've been talking about in each of these six (6) units
6 represent a reasonable method to develop the coalbed methane
7 resource under and within these...these six (6) units?

8 A. Yes, it does.

9 Q. And would you recommend that as...to the
10 Board as a reasonable means of protecting correlative rights
11 and developing this resource?

12 A. Yes, we would.

13 Q. When we are talking about allocating
14 production from these frac wells, are we going to need to do
15 some type of an allocation because of the separate ownership
16 of the P3 seam?

17 A. Yes, we will.

18 Q. Normally, when we're in front of the Board,
19 the same...well, any coal owner typically would own an
20 interest in all coal seams below the Tiller, correct?

21 A. That's correct.

22 Q. And that is not true in this situation?

23 A. That's correct.

24

--

1 Q. Here we have separate ownership of one seam?

2 A. That's correct.

3 Q. And we're going to be producing from
4 multiple seams?

5 A. We are.

6 Q. I've asked Mr. Morgan to come this morning
7 and discuss the allocation of production and...and how we
8 propose to allocate production in royalty accounting because
9 I think we need to...to...probably need in...in effect, your
10 seal of approval on the allocation process because it does
11 pertain to how the percentage of interest gets paid out and
12 Claude's done a fair amount of work to assemble the data
13 to...to get to the point where he can...he can instruct us
14 here. We've got a bunch of exhibits that we'd like to pass
15 out and then we'll talk to Mr. Morgan.

16

17 CLAUDE MORGAN

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

20 QUESTIONS BY MARK SWARTZ:

21 Q. Could you state your name for us?

22 A. Claude Morgan.

23 Q. And who do you work for?

24

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1 A. Consol, Inc.

2 Q. And...and what's your title with them?

3 A. Manager of Gas Products.

4 Q. Okay. Does Consol, Inc. have a relationship

5 with the applicant, Pochahontas Gas Partnership?

6 A. Yes.

7 Q. And...and...and generally, does Consol, Inc.

8 provide engineering services and expertise to the

9 partnership?

10 A. Yes.

11 Q. Have you prepared an analysis of coal seam

12 thicknesses and gas contents in coal seams in the immediate

13 area of these six (6) units?

14 A. Yes, we have.

15 Q. Okay, and could you take...well...well,

16 let's start with the top. You should have a map which has

17 bore...core holes spotted in black and wells spotted in red.

18 Would you tell the Board what's...what's represented by this

19 map?

20 A. First, let...let me point out, this is not

21 an Oakwood grid on here, this is a state plane grid. Don't

22 get...don't think I got two wells in the end. The geologist,

23 when he printed this off, printed off on a state plane grid

24

1 instead of a Oakwood grid. If you look on the map, the...the
2 six (6) wells in question are noted in red and in this area
3 we had five (5) core holes which are the ones labeled in
4 black, such as 97VA291, that cores have been taken and
5 samples analyzed for various seams for gas contents in that
6 area, not all holes had all seams. Every hole had at least
7 the Pochahontas Number Three seam sampled. So, we utilized
8 these five (5) holes, which were the closest samples we had
9 to these wells, to get an analysis of the gas contained
10 within...within the strata in this area.

11 BENNY WAMPLER: Poca Three's the only thing we're
12 considering here for this purpose.

13 A. Right, right, and there is a sample of the
14 Poca Three in every one...every one of the holes. If you
15 move...if you move to the next...next sheet which, if they
16 are in order, what we have here is an analysis of each of
17 those core holes and the gas contents associated with the
18 different seams. And...and looking at this, a black reading
19 ...it also have the thicknesses on there in those individual
20 core holes, a black reading represents a...a...an actual lab
21 analyzed sample. The green represents the Pochahontas Number
22 Three seam sampling that was done. As you can see, that was
23 done in each of the...in each of the holes. And then the red

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1 and...and blues represent either averaging of the totals or
2 the interpolation if you had a seam above and a seam below,
3 interpolating between the two seams, if they were close
4 proximity and we didn't have a sample of a small seam. We
5 took each...all five of these holes and with the
6 interpolations and with the measurements that we had, if
7 you'll see the last column on yours has an average gas which
8 is in cubic feet per ton of coal. So, we've got an average
9 gas content of each individual seam in cubic feet per ton of
10 coal. There is one seam on here which was the Squire Gem
11 that was stimulated in these holes that our sampling did not
12 go deep enough to contain that, so we utilized an average
13 value of all the seams for that...that one seam. Okay,
14 that's...that's how we...that's how we arrived at the
15 average...average gas content. Now, what we did with that
16 data is we went to the individual well and we looked at the
17 actual coal thicknesses in each seam that was stimulated.

18 Q. So, there's a separate---?

19 A. This is an actual...if you go to the next
20 sheet, would say Y-44, for instance.

21 Q. But, there is a separate sheet for each
22 well?

23 A. Right. Now, there's separate sheet for each

24

1 of...each of the six (6) wells. For instance, if you look at
2 the one labeled Y-44, which is the first one we have here on
3 the docket. The ones shaded gray are the seams that were
4 actually stimulated for production. We took the methane
5 content for each individual seam, multiplied it by the seam
6 thickness at a .04 time per cubic foot of coal to get an
7 in place cubic feet of methane in a square foot of coal in
8 that column. That would be the third column that you see on
9 here under...actually, the second under Y-44. You'll have
10 the seam thickness and you'll have the cubic foot of methane.
11 What that column represents with that calculation, using
12 the...the methane content per ton times the thickness of the
13 coal times .04 tons per cubic foot, gives us the cubic feet
14 of gas in that one square foot of that coal...that coal seam.
15 Just bear with me. We then...we then summed up the total
16 cubic feet of methane in the seams that were stimulated and
17 if you'll see at the bottom, there was 688 cubic feet of
18 methane in that one square foot of coal stimulated in all
19 seams. If you'll look at the P3, the Pochahontas Number
20 Three is actually in four splits there and we took each
21 individual split as a separate measure to get a...a clean
22 coal thickness. We had a total thickness of the P3 of 5.61,
23 which at the 544 cubic feet per ton gives you 122 cubic feet
24

1 of methane in that piece of the column. That 122 represents
2 17.75 percent of the total column of methane that was
3 stimulated.

4 As you go through here, we went through that same
5 analysis with...with each of these holes and we're basing
6 our...our...our analysis off of a gas in place stimulated as
7 a percentage and we would recommend allocation of the
8 production in the areas affected by this Y-44, we'd recommend
9 that 17.75 percent of the production be allocated to the
10 Pochahontas Number Three seam.

11 Q. With regard to...we probably need to get
12 that number in the record with regard to each of these wells.

13 A. Moving on, if you go to Z-44, it's the same
14 exact analysis. Different thicknesses, the methane contents
15 we used stayed the same which was the average of all
16 the...all the values. It was 15.57 percent. The DD-50 would
17 be 25.35 percent. You'll see an increase sure in...we did a
18 smaller column of...of coal stimulation here than in the
19 previous ones. Z-49 is 15.21 percent. The BB-50 is 21.07
20 percent and the X-45 would be 18.94 percent. Now, this was
21 based on actual logged thicknesses in the individual wells,
22 utilizing the average gas contents of the...of the holes that
23 we had sampled.

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1 Q. And to...to put...just to sort of put the
2 concept of, before the Board one more time...going back to
3 the Y-44 well and your analysis. Essentially, what...what
4 is...what would happen from a royalty accounting standpoint
5 is of the 100 percent of the volume of gas that came out of
6 the...the one well on Y-44, 17.75 percent of that gas would
7 be assigned solely to the P3 seam and the balance of the
8 percentage would be assigned to all of the other seams
9 together?

10 A. Right.

11 Q. And then the interest of the individuals in
12 those coal seams would then become the further method of
13 proration to their royalty account, correct?

14 A. In...in every one of these...these wells, I
15 think this impacts only the Triple M and...and the Harmon.

16 Q. Correct.

17 A. And they're the same owners, Triple M is the
18 owner of all coals other than the three seam and the oil and
19 gas and Harmon is the owner of the three seam. So, the
20 result of this would be that Triple M as a fee owner, for
21 instance, on Y-44, Triple M would receive the 82.25 percent
22 of the royalty as a fee owner. The 17.75 percent would go
23 into the escrow account as a conflicting claim between Harmon

24

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1 and Triple M.

2 Q. Right, and that would essentially be
3 true---?

4 A. For that tract.

5 Q. Right. And...and, although the numbers with
6 the percentages would change, the ownership is basically
7 consistent as you go across---

8 A. That's right.

9 Q. ---These six (6) wells?

10 A. That's right.

11 Q. In terms of the P3 issue?

12 A. That's right.

13 SANDRA RIGGS: So, P3's the only conflicting set.

14 A. Yes.

15 MASON BRENT: What's going on here on SB-3 and Y-44
16 and all the others where you've got a seam thickness of .0
1790, but no...nothing---?

18 A. Are you talking about on the bore hole
19 analysis?

20 MASON BRENT: Yeah, I'm looking at this...yeah, for
21 Y-44?

22 CLAUDE MORGAN: That's...that's coming up pretty
23 shallow in the strata and...and we just didn't pull any

24

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1 samples in that area because it was so shallow at that time
2 when these initial core holes were done. We've...we've since
3 found out that in some areas, we can actually produce those
4 and...and that they are productive. But, in '97 and prior
5 when these wells were done, we were not facing that shallow.

6 MR. KING: So, now you're feeling like it's
7 productive?

8 CLAUDE MORGAN: Yes. In some...in some areas where
9 it's deep enough. The depth will change and will influ...and
10 that's what will influence the actual seams that are
11 stimulated in each hole.

12 MARK SWARTZ: If I'm not mistaken, when we went
13 through the depths, I think there's a variation of over 400
14 feet in terms of these holes so that, I mean, the level of
15 cover, then, just between these six (6) wells over these
16 seams would vary, you know, by...by something, at least on
17 the order of 400 feet. Is that what you're referring to?

18 CLAUDE MORGAN: Yes.

19 CLYDE KING: Now, are all of these, Claude, are all
20 of these in this same area here, or is that---?

21 CLAUDE MORGAN: If you give...give you a scale on
22 this map is they'll show you there. Those blocks on there
23 are 5,000 foot blocks. So, you're looking at about a two

24

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1 mile square area there that you're playing with.

2 CLYDE KING: Two...about a two mile?

3 CLAUDE MORGAN: Yes.

4 (The Board confers among themselves.)

5 MARK SWARTZ: The only other thing I would have, I
6 mean, and I don't mean to foreclose further questions, but
7 if...if the Board were to act favorably on these
8 applications, we would request that the orders be effective
9 as of today because we'd like to start producing. Obviously,
10 all of these wells have been drilled and we'd like to start
11 producing them. Usually we can, you know, wait for the order
12 to be entered, but if we could have it sort of retroactive to
13 today's date, that would be appreciated.

14 BENNY WAMPLER: The negotiations that you've had,
15 there's no one here from the Harmon heirs today? No
16 objections.

17 MARK SWARTZ: Well, they...they did not object
18 originally. It was Triple M that objected originally.

19 CLAUDE MORGAN: They had a concern at first that the
20 Pochahontas Number Three seam would be...would be allocated
21 and we assured them we would do a fair allocation of that.

22 CLYDE KING: So they don't object anymore?

23 MARK SWARTZ: They're not here. The last
24

1 conversation I had with Mr. Hart was to the effect
2 that...that he had persuaded them that it probably was not
3 productive to come and object, you know, what his assumption
4 is, I don't know. But, that what...he told me they weren't
5 going to be here and that they had taken his advice in that
6 regard. You know, and I think ultimately because there is a
7 relationship between these companies, Triple M has become a
8 related entity indirectly. I think ultimately it's going to
9 be worked out with them. I can't speak for, you know, where
10 we're headed with the Harmons, but I think ultimately there
11 will be some kind of an agreement with Triple M.

12 BENNY WAMPLER: Are you going to be able to track
13 this production that's out of that seam or are you just going
14 to do a cumulative production based on these percents?

15 CLAUDE MORGAN: Percentage of the cumulative
16 production is what we would propose.

17 MARK SWARTZ: The big problem here, and that's
18 probably a good question, I mean, dealing with water makes it
19 almost impossible to...to physically segregate the production
20 and, I mean, the cost of doing that would be astronomical in
21 maintaining those wells. So, the coal seam allocation
22 process is really a cost effective, you know, reasonable and
23 accurate way of allocating that as opposed to trying to put
24

1 in separate plumbing.

2 CLYDE KING: Do we handle these as...as one
3 approval?

4 BENNY WAMPLER: That's the way we've called these,
5 as a block. There any other questions from members of the
6 Board?

7 CLYDE KING: I move it be approved, Mr. Chairman.

8 BENNY WAMPLER: Motion to approve.

9 CLYDE KING: You've got it worked out so you're
10 going to handle it effectively with the allocating of the---?

11 MARK SWARTZ: We're going to do exactly what we have
12 disclosed this morning.

13 SANDRA RIGGS: The only thing going in escrow, then,
14 will be Poca Three seam?

15 CLAUDE MORGAN: Right, we'll leave that percentage
16 of that tract.

17 MARK SWARTZ: Well, I mean, are there...the rest, I
18 mean, the respondents aren't totally identical. Do we
19 have...is there always a P3 issue?

20 CLAUDE MORGAN: It's always a P3 issue, yes.

21 MARK SWARTZ: Okay. Okay.

22 SANDRA RIGGS: So, in terms of disbursement from
23 escrow and the way we track it as opposed to tract by tract,
24

1 we're going seam by seam, in essence? I'm trying to think of
2 how that's going to impact on the escrow accounting and the
3 disbursement process.

4 CLAUDE MORGAN: Well, it would still be on a tract
5 basis. It would just be a percentage of the production on
6 that tract that's being escrowed.

7 BENNY WAMPLER: We have a motion for approval. Is
8 there a second?

9 MAX LEWIS: I second it.

10 BENNY WAMPLER: Any further discussion.

11 MASON BRENT: The only discussion I have, Mr.
12 Chairman, is all...all we have here is the applicant's
13 information and calculations and all that. I don't know
14 whether this Board has run into this in the past or not, but
15 it's certainly a new one for me.

16 BENNY WAMPLER: We haven't done one of these before.
17 This the first one we've ever had.

18 MASON BRENT: I can...I can only assume that since
19 none of the other interested parties are here, that they're
20 satisfied with this allocation.

21 BENNY WAMPLER: They were noticed and that's the
22 reason I was asking the question, just to make sure there was
23 no one in the room.

24

--

1 MASON BRENT: I just wanted to make that comment.

2 MARK SWARTZ: You know, and to pursue that, our
3 position is essentially what it was in the escrow hearing, I
4 mean, if...if we came up with the spreadsheets. I mean, if
5 someone can show us a better way to skin a cat. I mean, this
6 needs to happen here and this is our solution. But, I mean,
7 we're...if they had shown up here, or had interacted with us,
8 you know, on this, you know, we would have set our---. But,
9 this, you know, with no input obviously, this is our solution
10 and we would propose as reasonable, but we would certainly
11 have invited them to participate in the process, which I
12 think is your point.

13 MASON BRENT: That's all the discussion I have.

14 BENNY WAMPLER: In the discussion with the effective
15 parties, have you had this discussion that you've presented
16 to the Board?

17 MARK SWARTZ: No.

18 CLAUDE MORGAN: No.

19 BENNY WAMPLER: Do you believe that they're aware
20 that there's a allocation difference than was anticipated in
21 the Oakwood orders?

22 CLAUDE MORGAN: They...they were aware that that was
23 an issue. In fact, that was the question that they raised in
24

1 the discussions; that they said it needed to be addressed at
2 the hearing was how the P3 would be allocated.

3 BENNY WAMPLER: Any other discussion? There's a
4 motion and a second. All in favor, signify by saying yes.

5 (All Board members say yes.)

6 BENNY WAMPLER: All opposed, say no. We have
7 approval. Thank you.

8 MARK SWARTZ: Thank you.

9 BENNY WAMPLER: The next item on the agenda, I'm
10 going to call it and let the folks be coming forward, then
11 we'll take a five minute break. We'll consider a petition
12 from Cabot Oil and Gas Corporation for pooling of a
13 conventional gas drilling unit identified as Berwind Number
14 23R, docket number VGOB99-01/26/0708. We'd ask the parties
15 that wish to address the Board in this matter, come forward
16 at this time.

17 JIM KISER: Mr. Chairman, I'm going to continue this
18 one with your permission.

19 BENNY WAMPLER: All right.

20 JIM KISER: So, maybe you want to do that before we
21 take a break.

22 BENNY WAMPLER: Any objection to a continuation?

23 JIM KISER: We've got a...there's only one released
24

1 tract in the unit and it's involved in a lawsuit with another
2 operator, and which the settlement of that lawsuit is
3 probably going to include a lease with that operator who,
4 once it gets settled, has agreed to farm it out to Cabot, so
5 we'll probably end up withdrawing it in March. There you
6 have it.

7 BENNY WAMPLER: All right, that's continued.

8 CLYDE KING: You're not going to bring it up in
9 March, then?

10 JIM KISER: Well, yeah, just in case it doesn't get
11 all worked out, but hopefully, we're going to be withdrawing
12 it.

13 BENNY WAMPLER: The next item on the agenda, the
14 Board will consider a petition from Pocahontas Gas
15 Partnership for cooling of coalbed methane unit under the
16 Oakwood Coalbed Methane Gas Field number one order and
17 identified as FF-23. This is docket number VGOB99-02/16-
18 0709, and we'd ask the parties that wish to address the Board
19 in this matter to come forward at this time.

20 MARK SWARTZ: Let me collect my data. Mark Swartz
21 on behalf of Pocahontas Gas Partnership, and Les Arrington as
22 well.

23 BENNY WAMPLER: I need you to identify yourself for
24

1 the record, please.

2 MARLENE HALE: I am Marlene Hale and I'm Carlos
3 Hale's widow.

4 PAMELA KEENE: Pamela Keene, Carlos Hale's daughter.

5 BENNY WAMPLER: Any others? We can take five
6 minutes if you need to wait for someone else. Let's take a
7 five minute break and let them get the people in here.

8 (Following a five minute recess, all parties were
9 again assembled for the continuation of the meeting.)

10 BENNY WAMPLER: Since we took a break, let me just
11 for the record say we're reconvening on docket number VGOB99-
12 02/16-0709, and let's just have everyone introduce themselves
13 for the record again.

14 MARK SWARTZ: Mark Swartz and Les Arrington for the
15 applicant, which is Pocahontas Gas.

16 BENNY WAMPLER: I just ask each of you to introduce
17 yourselves.

18 JEFF HALE: My name is Jeff Hale.

19 LORENE HALE: I am Lorene Hale. I am Carter
20 Tiller's wife, and these are grandchildren.

21 PAMELA KEENE: I'm Pamela Keene. I'm Carlos Hale's
22 daughter.

23 JAMIE HALE: Jamie Hale, Carlos Hale's son.

24

--

1 BENNY WAMPLER: Thank you. Mr. Swartz.

2 MARK SWARTZ: This is a pooling application again
3 for a fracing under the Oakwood One rules. Les, you've been
4 sworn, right?

5 LESLIE K. ARRINGTON: Yes.

6

7 LESLIE K. ARRINGTON

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

10 QUESTIONS BY MR. SWARTZ:

11 Q. Your name, please?

12 A. Leslie K. Arrington.

13 Q. Who do you work for?

14 A. Consol.

15 Q. And does Consol, Inc. have a relationship
16 with the applicant?

17 A. Yes, it does.

18 Q. And do you provide services for permitting
19 and pooling for Pocahontas Gas Partnership?

20 A. Yes, I do.

21 Q. Did you prepare the notice of hearing, the
22 application, and the exhibits with regard to the pooling of
23 FF-23?

24

--

1 A. Yes, I did.

2 Q. And did you mail the application?

3 A. Yes, I did, by certified mail, return
4 receipt requested on January 15th, 1999.

5 Q. And did you publish?

6 A. Yes, we did, in the Bluefield Daily
7 Telegraph, it was on January 21st, 1999.

8 Q. And in this instance, you only mailed to two
9 folks, right?

10 A. That's correct.

11 Q. You mailed to Permac and to the Carlos Henry
12 Hale heirs, correct?

13 A. We did.

14 Q. And were both of the packages signed for?

15 A. Yes, they were.

16 Q. And who signed for the Hale heirs?

17 A. It appears Lorene.

18 Q. Lorene, maybe?

19 A. Lorene Hale.

20 Q. Okay. Is this application for the pooling
21 of a frac well unit under the Oakwood One rules?

22 A. Yes, it is.

23 Q. Has the well already been drilled?

24

1 A. Yes, it has.

2 Q. And there's a map in the packet, is there
3 not?

4 A. Yes, it is.

5 Q. Okay. And it shows the location of the
6 well?

7 A. Yes, it does.

8 Q. And is it on tract one?

9 A. Yes, it is.

10 Q. And so if you go to the next page, that
11 shows the ownership of tract one?

12 A. Yes, it does.

13 Q. And who has interest in tract one?

14 A. Buck Horn Coal Company, coal mine.

15 Q. And Consolidation Coal has coal leased below
16 the Tiller, correct?

17 A. Yes, it does.

18 Q. And Permac leases coal, the Tiller and up
19 above?

20 A. Yes, it does.

21 Q. And Pocahontas Gas Partnership has a CBM
22 lease from those folks?

23 A. Yes, it does.

24

1 Q. And the Hale heirs have an interest in what
2 tract or tracts?

3 A. Tract 2A, which is 15 percent of the 80 acre
4 unit.

5 Q. Okay. Do the Hale heirs have an interest in
6 2B?

7 A. No.

8 Q. Okay. Is the well on the tract that the
9 Hale heirs...located on the tract that the Hale heirs have an
10 interest in?

11 A. No, it is not.

12 Q. And is this the only well, at least at this
13 point, that is proposed for this unit?

14 A. Yes, it is.

15 Q. Is it within the 300 foot drilling window?

16 A. Yes, it is.

17 Q. And has it been...I assume it's been
18 assigned a permit number?

19 A. Yes, 3602.

20 Q. And what was the cost to drill this well?

21 A. \$235,445.14, to a total depth of 1855.20
22 feet.

23 Q. And when was this well drilled?

24

--

1 A. February 25th, '98.

2 Q. The applicant, Pocahontas Gas Partnership is
3 a Virginia partnership?

4 A. Yes, it is.

5 Q. And the partners in that partnership are
6 Consolidation Coal Company and Conoco, Inc.?

7 A. Yes, it is.

8 Q. Is Pocahontas Gas Partnership requesting
9 that it be the designated operator?

10 A. Yes.

11 Q. Does PGP have a blanket bond on file and is
12 it registered with the DMME?

13 A. Yes, it does.

14 Q. And is Pocahontas Gas Partnership authorized
15 to do business in Virginia?

16 A. Yes.

17 Q. The...do you wish to dismiss any respondents
18 today?

19 A. No.

20 Q. Obviously, you've got some folks here that
21 you're going to be able to identify as heirs this morning?

22 A. We do.

23 Q. So probably, at least in a supplemental
24

1 order, we're going to have addresses and better names than we
2 had when we started?

3 A. We will.

4 Q. Okay. The terms that you have offered in
5 this immediate area for rental are what?

6 A. A dollar (\$1) per acre for coalbed methane
7 lease, five (5) year term with a one-eighth (1/8) royalty.

8 Q. And would you offer a lease with those same
9 terms to the Hale heirs?

10 A. Yes, we will.

11 Q. Okay. And you're going to put Mr. Looney in
12 touch with them?

13 A. Yes, we will.

14 Q. With regard to the Exhibit A, page two on
15 this unit, what is the interest that you're seeking to pool
16 today?

17 A. 20.0498 percent of the oil and gas interest.

18 Q. And have you leased a hundred percent of the
19 coal interest?

20 A. Yes, we have.

21 Q. And what percentage of the oil and gas
22 interest have you leased?

23 A. 79.39502 percent.

24

--

1 Q. And on Exhibit B3, on tract 2A, the Hale
2 heirs would have 12 acres in the unit?

3 A. That's correct.

4 Q. And what percentage in the unit?

5 A. 13.39435 percent.

6 Q. And is that...if you go to Exhibit E, is
7 that interest in conflict?

8 A. Yes, it is.

9 Q. With whom?

10 A. Hugh McRae Land Trust.

11 Q. And Torch?

12 A. And Torch, yes.

13 Q. And Hugh McRae is the coal owner?

14 A. Yes, it is.

15 Q. And you have a lease from Hugh McRae?

16 A. Yes, we do.

17 BENNY WAMPLER: When you say in conflict, do you
18 just---?

19 MARK SWARTZ: Would require escrow.

20 Q. And lastly, going back to Exhibit B3, the
21 percentage there opposite the Hale heirs, that 13.39435
22 percent, okay.

23 A. Yes.

24

--

1 Q. If it was determined that they owned the
2 coalbed methane, that would be the percentage of the royalty
3 that would be payable directly to them, correct?

4 A. That's correct.

5 Q. And until there's either a settlement with
6 the coal owner, Hugh McRae, or there's a court case where
7 it's determined that they own the coalbed methane, 13.3945
8 percent of the royalty revenue is going to be escrowed?

9 A. It will.

10 Q. With the Board's escrow agent?

11 A. Correct.

12 Q. And if the...if a party wanted to
13 participate in this well, in other words, become a
14 partner---?

15 A. Uh-huh, yes.

16 Q. ---they would be required to pay 13.39435
17 percent of the \$235,445.14 figure to drill the well, correct?

18 A. That's correct.

19 Q. Of if they wanted to be carried, that 13.39
20 percent would be the relevant number in terms of the carried
21 interest as well?

22 A. It would be.

23 Q. Is the plan of development that's shown in
24

1 this...in this collection of exhibits, but particularly with
2 regard to the plat where you have frac well within the
3 drilling window, is this a reasonable plan that you would
4 recommend to the Board to develop the coalbed methane under
5 Unit FF-23 and protect the correlative rights of the owners
6 of that methane?

7 A. Yes, it is.

8 MARK SWARTZ: That's all I have.

9 BENNY WAMPLER: Questions from members of the Board?

10 MASON BRENT: The situation on tract B is the
11 same as on...2B is the same as 2A?

12 A. Yes, it is.

13 BENNY WAMPLER: Any other questions? Do you folks
14 have any questions?

15 PAMELA KEENE: So, in other words, right now the
16 gas is being pumped from the pump?

17 A. Yes.

18 PAMELA KEENE: And it's in escrow?

19 A. It will be, yes.

20 BENNY WAMPLER: It's not in escrow until the Board
21 approves their plan. They don't put money into escrow. That
22 comes from proceeds of the sale of the gas.

23 CLYDE KING: You're not producing gas yet. Are you
24

1 producing, is the question.

2 A. I'm not sure. I'd have to look. I'm just
3 not sure.

4 CLYDE KING: I think, ma'am, if any is produced, it
5 will be escrowed. If it has been produced or is being
6 produced. Is that correct, Mr. Chairman?

7 BENNY WAMPLER: I'd say so, in accordance with the
8 application. I don't know if they've---

9 JAMIE HALE: So if it is put into escrow, before we
10 would get anything from that, we would have to determine if
11 we were the methane owners, and if we were, we would get the
12 13?

13 BENNY WAMPLER: That's correct. If you were to...
14 and the other...what I was asking the question about the
15 conflict earlier, they're saying also that Hugh McRae Land
16 Trust and Torch Operating Company also claim ownership of
17 that coalbed methane. If the two of you could get together
18 on that, that's a possibility to come before the Board for
19 that. Then if you can't, then you know, the Court would have
20 to resolve ownership, or through some other means, but the
21 Court is the only one I'm aware of that could resolve that
22 for you absent an agreement with these other parties.

23 JAMIE HALE: There isn't anyone here with Hugh
24

1 McRae, is there?

2 BENNY WAMPLER: No, sir.

3 MARK SWARTZ: But we could put you in touch with
4 them. I mean, we know how to find them. And just to...in
5 fact, they find us all the time. But they have settled with
6 some other folks on a 50/50 basis, just, you know, recently.
7 And meaning that they take the money that's in escrow and if
8 someone owns coal and someone owns the oil and gas, and they
9 enter into an agreement to divide it in half rather than
10 fight about it. So I know they've done that with other
11 people. There's no harm in asking.

12 BENNY WAMPLER: And the Board doesn't get into those
13 kinds of determinations.

14 JEFF HALE: Well, how do you come up with the 13
15 percent?

16 LES ARRINGTON: This is an Oakwood unit. Oakwood
17 production unit has 80 acres in it. And your portion is 2A
18 right here and this is 12 acres, so it's a percentage of 12
19 divided by a eighth, is all that is. That's what that 13
20 percent is.

21 (Board members confer among themselves.)

22 BENNY WAMPLER: Can you all think of anything else
23 that we need?

24

--

1 PAMELA KEENE: Okay. So, in other words, this
2 hearing is for to put this money into escrow or whatever?

3 BENNY WAMPLER: Any time they have a conflict, they
4 have to come before the Board and put that money that's
5 conflicting into escrow.

6 PAMELA KEENE: Okay.

7 BENNY WAMPLER: And that money that goes into escrow
8 earns interest. There's an escrow agent that the Board has
9 employed. He was here earlier this morning, representative
10 of that bank where that money goes. Then whenever there's a
11 final resolution...if you heard this morning, we had a
12 resolution of some of the units before us and we ordered
13 disbursement, paying out of that. So that's how that would
14 work. It would have to come back before the Board once you
15 have an agreement, if you have an agreement, or a Court
16 order, and the Board would then, based upon its decision at
17 that time, make an order for disbursement.

18 PAMELA KEENE: Okay.

19 LORENE HALE: So what we need to do is get in touch
20 with that other---.

21 BENNY WAMPLER: Does the Board have anything
22 further?

23 MAX LEWIS: How much of the coal interest are you
24

1 all claiming?

2 LORENE HALE: Well, they core drilled on the
3 property once before. The guy came to my house told me that
4 we owned three acres of coal.

5 BENNY WAMPLER: Anything further, members of the
6 Board?

7 (No audible response.)

8 BENNY WAMPLER: Do I have a motion?

9 UNIDENTIFIED): Mr. Chairman, I move that we grant
10 the application.

11 BENNY WAMPLER: Motion to grant the application.
12 Second?

13 CLYDE KING: Mr. Chairman, before we have a vote,
14 is there any simple way these people can, without going into
15 a lot of legal expense with this thing...it seems to me there
16 ought to be some easy way.

17 BENNY WAMPLER: Well, if they can meet with Hugh
18 McRae and agree.

19 MASON BRENT: That's the easy way, yeah.

20 CLYDE KING: I think it would certainly be in order
21 to give them some information on how to get with these
22 people.

23 MARK SWARTZ: I'd volunteer to do that and we will.

24

--

1 I mean, Bob Looney is going to meet...is going to tell them.
2 We will put them in touch with---

3 CLYDE KING: I think that would certainly be to
4 their advantage. It's obvious they don't know how to do it,
5 how to go about it.

6 MARK SWARTZ: And we just assume...I mean, it's
7 actually somewhat simpler for us to cut checks and not have
8 to deal with an escrow account. So I mean, we'd rather be
9 paying money on a current basis, too. So we'll put you in
10 touch with them.

11 BENNY WAMPLER: Okay. I have a motion. Do I have a
12 second?

13 CLYDE KING: I'll second.

14 BENNY WAMPLER: Motion and second, any further
15 discussion?

16 (No audible response.)

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

18 (Board members indicate in the affirmative.)

19 BENNY WAMPLER: Opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: We have approval. The next item on
22 the agenda...actually, we're skipping number eleven and going
23 to number twelve. The Board will consider a petition from
24

1 Equitable Production Company for pooling of coalbed methane
2 unit under Nora coalbed gas field, identified as VC-3892.
3 This is docket number VGOB99/02/16-0711. We'd ask the
4 parties that wish to address the Board in this matter to come
5 forward at this time, please. Go ahead and introduce
6 yourselves for the record, please.

7 JIM KISER: Mr. Chairman, members of the Board, Jim
8 Kiser on behalf of Equitable Production Company. Our
9 witnesses in this matter will be Mr. Dennis Baker and Mr. Bob
10 Dahlin. We'd ask that they be sworn at this time.

11 BENNY WAMPLER: The record will show there are no
12 others. You may proceed.

13

14

15

16

17

18

DENNIS R. BAKER

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

21 QUESTIONS BY MR. KISER:

22 Q. Mr. Baker, would you state your name, who
23 you're employed by and in what capacity?

24

--

1 A. My name is Dennis R. Baker. I'm employed by
2 Equitable Production Company as Senior Landman.

3 Q. And your responsibilities include the land
4 involved here in this unit and in the surrounding area?

5 A. Yes, it does.

6 Q. And are you familiar with Equitable's
7 application for establishment of a drilling unit and seeking
8 of a pooling order for EPC well number VC-3892, dated January
9 15th, 1999?

10 A. Yes.

11 Q. Is Equitable seeking to force pool the
12 drilling rights underlying the unit as depicted at Exhibit A,
13 that being the Plat to the application?

14 A. Yes.

15 Q. Does the location proposed for well number
16 VC-3892 fall within the Board's order for the Nora coalbed
17 gas field?

18 A. Yes, it does.

19 Q. Now, prior to filing the application, were
20 efforts made to contact each of the respondents and an
21 attempt made to work out an agreement regarding the
22 development of the unit?

23 A. Yes.

24

--

1 Q. Does Equitable own drilling rights in the
2 unit involved for VC-3892?

3 A. Yes, we do.

4 Q. Okay. At the time of the application, what
5 was the interest of Equitable within the gas estate?

6 A. At the time of application, the interest
7 leased for Equitable in the gas estate was 11.15 percent.

8 Q. And what was the interest of Equitable under
9 lease in the coal estate within the unit at the time of
10 application?

11 A. The coal estate leased to Equitable is 100
12 percent.

13 Q. And were all unleased parties set out in
14 Exhibit B that was filed with the original application?

15 A. Yes, it was.

16 Q. And subsequent to filing the application,
17 have you continued to attempt to reach an agreement with the
18 respondents listed in the original Exhibit B?

19 A. Yes.

20 Q. And as a result of those efforts, have you
21 obtained an additional lease which triggered a revised
22 Exhibit B, which has been handed out to the Board this
23 morning?

24

--

1 A. Yes, we have.

2 Q. Could you point out the additional lease
3 that you picked up?

4 A. On page two of the revised Exhibit B, first
5 name on the list, Audrey F. Stanley is now a lessee.

6 Q. What is the interest in the gas estate that
7 remains unleased at this time?

8 A. The unleased portion of the gas estate is
9 88.78 percent.

10 Q. Could you explain the G. W. Smith heirs
11 situation, which is tract one?

12 A. The G. W. Smith, Jr. heirs was an oil and
13 gas severance back at the turn of the century. We've been
14 unable to locate any of the G. W. Smith, Jr. heirs on
15 previous wells, and to date, we are still unable to locate
16 anyone that's part of the family.

17 Q. So it was a severance of the gas estate that
18 just sort of stopped?

19 A. Yes.

20 Q. Now did you make efforts to determine if any
21 of the individuals, if living or deceased or their
22 whereabouts, and if deceased, were efforts made to determine
23 the names, addresses and whereabouts of any successors to the
24

1 deceased individual respondents?

2 A. Yes, sir.

3 Q. And did you make reasonable and diligent
4 efforts and check sources to identify and locate unknown
5 heirs, including primary sources such as deed records,
6 probate records, assessor's records, treasurer's records, and
7 secondary records such as telephone records, city
8 directories, family and friends?

9 A. Yes, we have.

10 Q. In your professional opinion, was due
11 diligence exercised to locate each of the respondents named
12 in the Exhibit?

13 A. Yes, sir.

14 Q. Are the addresses set out in the revised
15 Exhibit B of the application the last known addresses for the
16 respondents?

17 A. Yes, sir.

18 Q. Are you requesting the Board to force pool
19 all unleased interests listed in revised Exhibit B?

20 A. Yes, we are.

21 Q. Are you familiar with the fair market value
22 of drilling rights in the unit in the surrounding area?

23 A. Yes, I am.

24

--

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

3 A. A five dollar (\$5) per acre consideration,
4 five (5) year term, one-eighth (1/8) royalty.

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

9 A. Yes, I did.

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

14 A. Yes.

15 Q. Okay. Now based on your testimony, and as
16 to the respondents who have not voluntarily agreed to lease,
17 do you recommend the respondents listed in revised Exhibit B,
18 who remain unleased, be allowed the following options with
19 respect to their ownership interest within the unit: One,
20 participation; two, a cash bonus of five dollars (\$5) per net
21 known acre, plus a one-eighth (1/8) of eight-eighths (8/8)
22 royalty; or three, in lieu of a cash bonus and one-eighth of
23 eight eighths royalty share in the operation of the well on a
24

1 carried basis as a carried operator on the following
2 conditions: Such carried operator shall be entitled to a
3 share of production from the tracts pooled accruing to his
4 interest, exclusive of any royalty or overriding royalty
5 reserved in any leases, assignments thereof, or agreements
6 related thereto of such tracts, but only after the proceeds
7 applicable to his share equal, a; 300 percent of the shares
8 of such cost applicable to the interest of the carried
9 operator of the leased tract or portion thereof; or b, 200
10 percent of the share of such cost applicable to the interest
11 of the carried operator of the unleased tract or portion
12 thereof?

13 A. Yes.

14 Q. Do you recommend that the order provide that
15 elections by the respondent be in writing and sent to the
16 applicant at Equitable Production Company, P. O. Box 1983,
17 Kingsport, Tennessee 37662; Attention: Dennis R. Baker,
18 Regulator?

19 A. Yes.

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

23 A. Yes, it should.

24

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1 Q. Do you recommend that the order provide that
2 if a written election is properly made by the respondent,
3 then such respondent shall be deemed to have elected the cash
4 royalty option in lieu of participation?

5 A. Yes.

6 Q. And should any unleased respondents be given
7 30 days from the date of the execution of the Board order to
8 file written elections?

9 A. Yes.

10 Q. And if an unleased respondent elects to
11 participate, should they be given 45 days to pay the
12 applicants' elected portion of shared well costs?

13 A. Yes.

14 Q. And does the applicant expect that party
15 electing to participate to pay in advance that share of
16 completed well cost?

17 A. Yes.

18 Q. Should the applicant be allowed a 120 days
19 following the recordation of the Board order and thereafter
20 or on that date until production is achieved to pay or tender
21 any cash bonus becoming due under the order?

22 A. Yes, sir.

23 Q. Do you recommend that the order provide that
24

1 if a respondent elects to participate but fails to pay the
2 proportionate share of costs satisfactory to the applicant
3 for payment of said cost, then respondent's election to
4 participate should be treated as withdrawn and void, and such
5 respondent should be treated just as if no initial election
6 had been filed under the forced pooling order, or in other
7 words, deemed to have leased?

8 A. Yes.

9 Q. Do you recommend that the order provide that
10 where a respondent elects to participate but defaults in
11 regard to well cost, any cash sum becoming payable to that
12 respondent be paid within 6 days after the last date on which
13 respondent could have paid or made satisfactory arrangements
14 for the payment of those well costs?

15 A. Yes, we do.

16 Q. Do you recommend that the order include a
17 escrow provision stating that any payment or royalty or cash
18 bonus, or any payment that cannot be paid to a party for any
19 reason, including a title defect or in the event of
20 conflicting claims to coalbed methane which we have here, in
21 the event of unknown heirs which we have here, that the
22 operator pay into an escrow account created by the Board all
23 costs and proceeds attributable to these interests to be held

24

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1 for the respondent's benefit until such funds can be paid to
2 that party by the order of this Board or until the title
3 defect or conflicting claim is resolved to the operator's
4 satisfaction?

5 A. Yes, we do.

6 Q. And who should be named operator under any
7 forced pooling order issued by the Board?

8 A. Equitable Production Company, which is
9 formerly known as Equitable Resources Energy Company.

10 JIM KISER: That's for your benefit, Tom. No
11 further questions of this witness at this time, Mr. Chairman.

12 BENNY WAMPLER: Any questions from members of the
13 Board?

14 MASON BRENT: The well location of that, this well
15 is within the standard---?

16 JIM KISER: I think it's within the interior window,
17 isn't it?

18 A. Yes, it's right on the corner of the
19 interior line. It is within the interior window.

20 BENNY WAMPLER: Any other questions?

21 CLYDE KING: Mr. Chairman?

22 BENNY WAMPLER: Mr. King.

23 CLYDE KING: I wondered about this Smith...G. W.

24

--

1 Smith, Jr. heirs, and you're unable to find anyone?

2 A. Yes.

3 CLYDE KING: Who is paying taxes on the property?

4 A. This is an oil and gas estate only. It's no
5 surface, so they're not being taxed for any oil and gas.

6 CLYDE KING: Oh.

7 JIM KISER: You'd be surprised how often you run
8 into this.

9 CLYDE KING: I didn't know that was a possibility.
10 Who owns the land on top of it?

11 A. The surface owner is owned by Clinchfield.
12 The surface is owned by Clinchfield Pixis.

13 BENNY WAMPLER: Other questions?

14 JIM KISER: We've force pooled these heirs in
15 previous units, haven't we?

16 A. Yes, we have.

17

18 ROBERT A. DAHLIN, II

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

21 QUESTIONS BY MR. KISER:

22 Q. Mr. Dahlin, if you'd state your name for the
23 Board, who you're employed by, and in what capacity?

24

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1 A. My name is Robert A. Dahlin, II. I'm
2 employed by Equitable Production Company as a Production
3 Specialist.

4 Q. And you've previously testified before the
5 Virginia Gas & Oil Board, and your qualifications as an
6 expert witness in the area of production and operations has
7 been accepted?

8 A. That's correct.

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

11 A. Yes.

12 Q. Are you familiar with the proposed plan of
13 exploration of this well?

14 A. Yes, I am.

15 Q. What is the total depth of the proposed well
16 under the plan?

17 A. 2,351 feet.

18 Q. And would this be sufficient to penetrate
19 and test the common sources of supply listed in the subject
20 formations---?

21 A. Yes.

22 Q. ---in accordance with the permit
23 application?

24

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1 A. Yes, it would.

2 Q. And what are the estimated reserves for this
3 unit?

4 A. 435 million cubic feet.

5 Q. And are you familiar with the well cost
6 under the plan of development?

7 A. Yes.

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

10 A. Yes.

11 Q. Was this AFE prepared by an engineering
12 department knowledgeable in the preparation of AFEs and in
13 particular in regard to well cost in this particular area?

14 A. Yes, it was.

15 Q. And does this, in your professional opinion,
16 the AFE, that is, represent a reasonable estimate of well
17 costs for this proposed well?

18 A. Yes.

19 Q. Could you state for the Board at this time
20 what the...both the dry hole and completed well cost for 3892
21 is?

22 A. The dry hole cost was \$76,213, and the
23 completed well cost for \$188,500.

24

1 Q. And do these costs anticipate a multiple
2 completion?

3 A. Yes, it does.

4 Q. Does the AFE submitted include a reasonable
5 charge for supervision?

6 A. Yes.

7 Q. Mr. Dahlin, in your professional opinion,
8 will the granting of this application be in the best interest
9 of conservation, prevention of waste and the protection of
10 correlative rights?

11 A. Yes.

12 MR. KISER: Nothing further of this witness at this
13 time, Mr. Chairman.

14 BENNY WAMPLER: Any questions from members of the
15 Board of this witness? I will acknowledge for the record
16 that the Board has in its possession a letter from Ira
17 McKinley Stanley and Buford C. Stanley. Have you seen that
18 one?

19 JIM KISER: I just saw it this morning. The first
20 time I'd seen it was when Tom handed it out.

21 BENNY WAMPLER: Objections to the application. The
22 record will show they're not here.

23 CLYDE KING: I don't have the Buford---?
24
25

1 JIM KISER: Was there two separate ones? I don't
2 have the Buford either.

3 TOM FULMER: Buford doesn't say where it goes.

4 CLYDE KING: This goes back to the Indians, doesn't
5 it?

6 BENNY WAMPLER: Well, it's a claim of title, which
7 is outside the jurisdiction of the Board. No point in
8 bringing this up. If they have that resolution, the place to
9 resolve that is in Court, or through agreement of the parties
10 if they can reach that agreement. If the parties were
11 present, as long as the objections were made along these
12 lines, the Board couldn't statutorily deal with this anyway.
13 So they're duly noted and...that we received the letters, but
14 the Board's without jurisdiction to take any action on that.
15 Any other thing that you have?

16 JIM KISER: We'd ask that the Board approve the
17 application as submitted, Mr. Chairman.

18 MASON BRENT: Mr. Chairman, I move that we grant
19 the application as submitted.

20 BENNY WAMPLER: Motion that we grant the
21 application. Do we have a second?

22 CLYDE KING: Second.

23 BENNY WAMPLER: Motion and second. Any further
24
25

1 discussion?

2 (No audible response.)

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

4 (Board members indicate in the affirmative.)

5 BENNY WAMPLER: Opposed, say no.

6 (No audible response.)

7 BENNY WAMPLER: You have unanimous approval.

8 JIM KISER: Thank you, Mr. Chairman. I'll Come back
9 and ask a question. Are we going to switch the March one
10 again for Mr. King, or do we---?

11 BENNY WAMPLER: We have a conflict with two Board
12 members, so I think the answer to that is yes. Now is as
13 good a time as any to take that up if the Board wants to
14 consider that. I'll go ahead and say for me that's...if we
15 can stay within that same week, it will be much better. Are
16 you---?

17 MASON BRENT: I'm out that whole week.

18 BENNY WAMPLER: Let's see what we can do here.

19 MAX LEWIS: Tuesday.

20 BENNY WAMPLER: Well, he's out that whole week. So
21 we'll have to move it---.

22 MAX LEWIS: To the next following Tuesday.

23 CLYDE KING: I've just got the one day problem.

24

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1 JIM KISER: We had another...have we had anybody
2 appointed to replace Bill Harris?

3 BENNY WAMPLER: No. Are all the rest of you okay
4 that following Tuesday? That's when you have your
5 operational planning, but if I'm over here, I can run out to
6 that.

7 MASON BRENT: Is that the 23rd?

8 BENNY WAMPLER: 23rd, yes. Are you okay with that?
9 Are you okay with that?

10 JIM KISER: So we'll know we have at least you
11 four.

12 BENNY WAMPLER: So we have a quorum. It will be
13 March 23rd we're next here.

14 JIM KISER: And you all will handle the publication
15 on that, do the notice?

16 BENNY WAMPLER: Yes.

17 MAX LEWIS: What day is that on?

18 BENNY WAMPLER: Tuesday.

19 JIM KISER: Tuesday the 23rd rather than Tuesday
20 the 16th.

21 BENNY WAMPLER: At 9:00 a.m. The last item on the
22 agenda today is a petition from Buchanan Production Company
23 for pooling of coalbed methane unit identified as B-34,
24

1 docket number VGOB99-02/16-0710. We'd ask the parties that
2 wish to address the Board in this matter to come forward at
3 this time, please.

4 MARK SWARTZ: Mark Swartz and Les Arrington, and
5 this time we're representing Buchanan Production.

6 BENNY WAMPLER: For the record, we'll show that
7 there are no others here. You may proceed.

8

9

10 LESLIE K. ARRINGTON

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

13 QUESTIONS BY MR. SWARTZ:

14 Q. Les, you're still under oath.

15 A. Yes.

16 Q. I need you to state your name for me,
17 please.

18 A. Leslie K. Arrington.

19 Q. Who do you work for?

20 A. Consol.

21 Q. And are you a permit specialist with them?

22 A. Yes, I am.

23 Q. And does Consol, Inc. have a relationship
24

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1 with Buchanan Production Company?

2 A. Yes, it does.

3 Q. And essentially, Consol, Inc. manages the
4 affairs of Buchanan Production Company in Buchanan County?

5 A. Yes, it does.

6 Q. Did you do the notice of hearing and the
7 application and either prepare or supervise the preparation
8 of the Exhibits with regard to the force pooling of B-34?

9 A. Yes, I did.

10 Q. Who is the applicant on B-34?

11 A. Buchanan Production.

12 Q. Is Buchanan Production Company a Virginia
13 partnership?

14 A. Yes, it is.

15 Q. And are its two partners Appalachian
16 Operators, Inc. And Appalachian Methane, Inc.?

17 A. Yes, it is.

18 Q. And are both of those companies wholly owned
19 indirect subsidiaries of MCN Corporation?

20 A. Yes, it is.

21 Q. Buchanan Production is authorized to do
22 business in Virginia?

23 A. Yes.

24

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1 Q. And who are you asking be designated the
2 operator?

3 A. Consol, Inc.

4 Q. Okay. Consol, Inc. is a Delaware
5 corporation?

6 A. Yes, it is.

7 Q. And is Consol, Inc. authorized to do
8 business in the Commonwealth?

9 A. Yes.

10 Q. Has it registered with the Department of
11 Mines, Minerals and Energy and does it have a blanket bond on
12 file?

13 A. Yes, it is.

14 Q. Buchanan Production Company has delegated
15 certain authority to Consol, Inc. to develop and maintain its
16 properties, and Consol has accepted that delegation and
17 listed certain people, namely Claude Morgan, William
18 Gillenwater and Randy Albert to perform specific duties, is
19 that correct?

20 A. Yes, it is.

21 Q. There's one respondent here?

22 A. Yes, it was.

23 Q. Kyle Davis?

24

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1 A. Yes.

2 Q. Did you mail to Mr. Davis?

3 A. Yes, we did.

4 Q. And did he sign for his mail?

5 A. Yes, he did.

6 Q. And did you also publish?

7 A. Yes, we did, in the Bluefield Daily
8 Telegraph on January 21st, 1999.

9 Q. And the mailing to Mr. Davis, was that
10 January 15th?

11 A. Yes, it was.

12 Q. And did you mail the notice and the
13 application alluded to?

14 A. Yes, we did.

15 Q. The unit here is an 80 acre Oakwood unit,
16 correct?

17 A. That's correct.

18 Q. And we're seeking to pool it under the
19 Oakwood One rules?

20 A. That's correct.

21 Q. And the Plat shows that there are three
22 wells?

23 A. Yes, it is.

24

1 Q. And all three have been drilled?

2 A. Yes, they have.

3 Q. What are the permit numbers with regard to
4 these wells?

5 A. Well number V-34 is 3540; well B-34A is
6 permit number 3542; and well number V-34B is permit number
7 3930.

8 Q. And the reason that we have three wells here
9 and basically in a row, is that accounted for by the fact
10 that this unit is over the Buchanan mine and over a longwall
11 panel, a proposed long wall panel?

12 A. Yes, it is.

13 Q. So the location and number of these wells is
14 driven by the Buchanan One mine plan?

15 A. Yes, it is.

16 Q. Have you prepared an Exhibit C with regard
17 to well cost?

18 A. Yes, I have. That Exhibit C shows an
19 average cost of \$243,042.88, with an average total depth of
20 2,030 feet.

21 Q. That average was taken by averaging the cost
22 of the three wells that are identified on the plat?

23 A. Yes, it was.

24

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1 Q. Okay. Because this is being pooled as a
2 frac unit, we are only seeking to allocate the cost of one
3 well, correct?

4 A. That's correct.

5 Q. And we would propose to allocate the average
6 cost?

7 A. Correct.

8 Q. The Exhibit A, page two shows that you have
9 leased a 100 percent of the coal owners?

10 A. Yes, we have.

11 Q. And of the oil and gas owners, you've
12 acquired 99.85 percent?

13 A. Yes, we have.

14 Q. And are you seeking to pool by this
15 application .15 percent of the oil and gas interest?

16 A. Yes, that's correct.

17 Q. And Exhibit B3 lists Mr. Davis and his
18 address, and shows that percent?

19 A. Yes, it does.

20 Q. Is his interest in conflict?

21 A. Yes, it is.

22 Q. Okay. So we've got an Exhibit E?

23 A. Yes, sir.

24

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1 Q. And that shows Mr. Davis and other folks who
2 are in conflict, at least at this point?

3 A. It does.

4 Q. Would you offer Mr. Davis a lease if he were
5 willing?

6 A. Yes, we would, a one-eighth (1/8) royalty, a
7 dollar (\$1) per acre for coalbed methane lease with a five
8 (5) year term.

9 Q. And that rental, dollar (\$1) per acre
10 rental, would be payable on an annual basis until production
11 commenced, correct?

12 A. That's correct.

13 Q. Lastly, I will ask you if you would
14 recommend the plan of development that's disclosed by the
15 application and exhibits as a reasonable plan for the
16 development of coalbed methane and the protection of
17 correlative rights?

18 A. Yes, we would.

19 MARK SWARTZ: That's all I have.

20 BENNY WAMPLER: Do you have a mine plan on file with
21 the Division of Mines?

22 CLAUDE MORGAN: With regard to this unit...with
23 regard to the mine, certainly. Are you talking with the
24

1 Division of Mines, did you say?

2 BENNY WAMPLER: Yes.

3 CLAUDE MORGAN: Yes, there is one.

4 BENNY WAMPLER: Do you have a copy of the mine plan,
5 Tom, as it relates to this unit?

6 TOM FULMER: I have a copy of the projection, which
7 is all this is, is projection.

8 BENNY WAMPLER: How far in advance of mining is
9 this?

10 CLAUDE MORGAN: Two to three years.

11 TOM FULMER: (Inaudible) crossing 460.

12 BENNY WAMPLER: How far in advance of mining are you
13 typically draining?

14 CLAUDE MORGAN: We'd like it to be five years, but
15 we just moved into this area and...you want me to get on the
16 record?

17 BENNY WAMPLER: Please. You've already been
18 previously sworn, so I was being a little more---

19 CLAUDE MORGAN: Claude Morgan. Typically, we'd like
20 to be at least five years ahead, but a change in the mine
21 plan shifted us into this area sooner than we'd anticipated,
22 so we've had to do some catch up drilling to get it drained
23 as quickly as we can in the two to three years we have

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1 available to us.

2 BENNY WAMPLER: And in regard to having the three
3 wells within this unit, is that typical for all units in this
4 area that you would have three wells? Are you drilling with
5 that type saturation?

6 CLAUDE MORGAN: Many of them will have three wells.

7 BENNY WAMPLER: Other questions from members of the
8 Board?

9 MAX LEWIS: On these three units, you say you're
10 going to make an average cost between the three? You take
11 the three and average them, and then each one of those will
12 be the cost of that production, that drilling cost?

13 CLAUDE MORGAN: What he said was, he'd average
14 them, but he would only allocate one well cost.

15 MAX LEWIS: That's what I was---.

16 BENNY WAMPLER: The \$243,042.88 was the cost that
17 was going to be allocated to the unit.

18 CLAUDE KING: Correct.

19 BENNY WAMPLER: Only the one. He...and to get that,
20 he averaged the cost of all three.

21 MAX LEWIS: All three. That's what I was---.

22 CLAUDE KING: So, that was the average of all three.

23 BENNY WAMPLER: Any other questions from members of
24

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1 the Board?

2 CLAUDE KING: When would you plan to do this, to
3 start drilling?

4 CLAUDE MORGAN: They're drilled.

5 CLAUDE KING: Oh, they're already drilled.

6 BENNY WAMPLER: Other questions?

7 (No audible response.)

8 BENNY WAMPLER: Do you have anything further, Mr.
9 Swartz?

10 MARK SWARTZ: No, Your Honor. It's just habit.

11 BENNY WAMPLER: Don't worry, flattery won't affect
12 me in that area. Do I have a motion?

13 MAX LEWIS: I make a motion approve the application.

14 BENNY WAMPLER: Motion to grant.

15 MASON BRENT: Second.

16 BENNY WAMPLER: Motion and second. Any further
17 discussion?

18 (No audible response.)

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

20 (Board 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 MARK SWARTZ: Thank you.

3 CLYDE KING: You going to help those folks a while
4 go?

5 MARK SWARTZ: We already have.

6 CLYDE KING: They looked like they needed help.

7 BENNY WAMPLER: So, Tom, whatever we need to do to
8 make sure everyone is aware that we moved the Board hearing
9 date again.

10 TOM FULMER: I think we may have a conflict and
11 I'll have to double check on that.

12 BENNY WAMPLER: With what?

13 TOM FULMER: Having a room available. I think
14 that's why we moved our---. I'll have to check.

15 BENNY WAMPLER: All right. Well, we'll meet
16 somewhere. How's that? It's going to be the 23rd and we'll
17 meet somewhere.

18

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1 STATE OF VIRGINIA,

2 COUNTY OF BUCHANAN, to-wit:

3 I, JAY RIFE, Court Reporter and Notary Public for
4 the State of Virginia, do hereby certify that the foregoing
5 hearing was recorded by Shellie Brown on a tape recording
6 machine and later transcribed by her personally.

7 Given under my hand and seal on this the 11th day
8 of March, 1999.

9

NOTARY PUBLIC

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My commission expires March 31, 1999.

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