

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

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8
9 SEPTEMBER 19, 2000

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12 APPEARANCES:

13 MASON BRENT, ACTING CHAIRMAN FOR BENNY WAMPLER

14 KEN MITCHELL, CITIZEN MEMBER

15 MAX LEWIS, PUBLIC MEMBER

16 CLYDE KING, PUBLIC MEMBER

DENNIS GARBIS, PUBLIC MEMBER

17 SANDRA RIGGS, ASSISTANT ATTORNEY GENERAL

18 BOB WILSON, DIRECTOR OF THE DIVISION OF GAS & OIL AND

19 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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*****ATTACHED IS A COPY OF THE AGENDA

1

2 MASON BRENT: So, why don't we get started. Okay,
3 I'll call our meeting to order. Benny Wampler couldn't be
4 here today. Unfortunately, he had a death in the family.
5 So, I've been ask to chair the meeting. So, with your
6 indulgence, I'll see if I can't get us through this
7 expeditiously. I'm Mason Brent. I'm from Richmond. I
8 normally represent the Gas and Oil Industry. Today I'll be
9 your Chairman. I'll ask the other members of the Board and
10 staff to introduce themselves, starting with Mr. Mitchell.

11 KEN MITCHELL: I'll start on the end, I guess. My
12 name is Ken Mitchell. I am the citizen member on the
13 Virginia Gas and Oil Board. I am also a two term supervisor
14 from Stafford County, Virginia, which is North of Richmond
15 and South of Washington, D.C. That puts us in a very
16 precarious position. But it's good to be here today.

17 SANDRA RIGGS: I'm Sandra Riggs. I'm with the
18 Office of the Attorney General, and I'm here to advise the
19 Board.

20 MAX LEWIS: I'm Max Lewis. I'm from Buchanan
21 County. I'm a public member.

22 CLYDE KING: I'm Clyde King from Washington County,
23 Abingdon and I'm a public member. Mr. Chairman, could we---

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1 BOB WILSON: I'm---.

2 CLYDE KING: ---excuse me. I'm sorry.

3 BOB WILSON: I'm Bob Wilson. I'm the Director of
4 the Division of Gas and Oil, and the Principal Executive to
5 the staff of the Board.

6 MASON BRENT: Okay, Mr. King.

7 CLYDE KING: Could we have a moment of silence in
8 remembrance of one our member's father, Mr. Gilliam.

9 MASON BRENT: Mr. Gilliam's father. Yes.

10 (A moment of silence.)

11 CLYDE KING: Okay, thank you very much.

12 MASON BRENT: Thank you. All right. The first item
13 on our agenda, the Board will consider a petition from
14 Pocahontas Gas Partnership for pooling of a coalbed methane
15 unit under the Oakwood Coalbed Methane Gas Field I Order and
16 identified as DD-26. This is docket number VGOB-00-04/18-
17 0792; and this has been continued from May. I would ask all
18 interested parties to come forward.

19 MARK SWARTZ: Mark Swartz and Les Arrington on
20 behalf of Pocahontas Gas.

21 MASON BRENT: Okay, and there being no other
22 interested parties present, you may proceed.

23 MARK SWARTZ: In the interest of a little
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25

1 housekeeping and perhaps expediting the hearings, I have a
2 proposal. If you have your docket in front of you, it would
3 help. What I would like to suggest is that we consolidate
4 the matter you've just called, Mr. Chairman, with items five
5 and six. They are all in a row. It is DD-26, EE-26 and FF-
6 26. Some commonality of tracts and parties and I think it
7 would be...would be useful to do that.

8 And I would also ask that the Board continue items
9 two, three and four to November. This is something that I've
10 alerted Mr. Wampler to. I didn't ask for a continuance, but
11 I told him we were going to be requesting one today. The
12 reason being, if you look at those applications, there is
13 a...they all involve an Albert G. Perry, Jr., et al. That's
14 the only respondent. The land people from Consol, on behalf
15 of Buchanan Production Company, have been making some very
16 good progress in identifying the heirs. We've got like 80 to
17 a 100 heirs and we want to finish the job and then re-notice
18 it, so that's the reason for the continuance. Normally, I
19 just ask for a month, but I think we've got so many folks
20 here that to finish that work by November would probably make
21 more sense. So, I would, for that reason, ask that the Board
22 continue two...docket number...items two, three and four to
23 the November meeting.

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1 MASON BRENT: Okay, let's start with your request
2 for a continuance. Any objections to continuing items two,
3 three and four until---?

4 CLYDE KING: I move we approve.

5 MAX LEWIS: I second.

6 MASON BRENT: Did you say...did you say November?

7 MARK SWARTZ: November.

8 MASON BRENT: Okay.

9 CLYDE KING: Two, three and four?

10 MARK SWARTZ: Yes.

11 MASON BRENT: Okay, these are---.

12 (Mr. Brent confers with Sandra Riggs.)

13 MASON BRENT: Okay, there being no objection then,
14 we will continue until our November meeting item number two,
15 which is VGOB-00-09/19-0820. We will also continue until
16 November item number three, which is VGOB-00-09/19-0821. We
17 will also continue until November item number four, which is
18 VGOB-00-09/19-0822.

19 Now, before we move on, let the record indicate
20 that Mr. Dennis Garbis has joined us, our Board member.
21 Okay, now with regard to combining items one, five and six,
22 does anybody here have any objections, or questions, or
23 comments with regard to combining those items for the hearing
24

1 here today?

2 (No audible response.)

3 MASON BRENT: Okay, hearing none, then we will do
4 that. I'll go ahead and call those additional orders. We
5 will also hear at this time item number five, which is a
6 petition from Pocahontas Gas Partnership for pooling of a
7 coalbed methane unit under the Oakwood Coalbed Methane Gas
8 Field I order and identified EE-26. This is VGOB-00-09/19-
9 0823. We will also at the same time consider a petition from
10 Pocahontas Gas Partnership for pooling of coalbed methane
11 unit under Oakwood Coalbed Methane Gas Field I order and
12 identified as FF-26. This is VGOB docket number 00-09/19-
13 0824. I'd ask all parties who are interested in this hearing
14 to come forward at this time.

15 MARK SWARTZ: Mark Swartz and Les Arrington on
16 behalf of Pocahontas Gas Partnership with regard to items
17 five and six as well.

18 MASON BRENT: Okay. There being no one else to come
19 forward, you may proceed, Mr. Swartz.

20 MARK SWARTZ: These three units DD-26, EE-26 and FF-
21 26, the pooling application in each instance is to pool and
22 80 acre unit under the Oakwood I rules and those...that
23 would...that would mean necessarily that each of these units

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1 is anticipated to have one well and be a frac unit.

2 Les has passed out...Les Arrington has passed out
3 some notes for the September 19th hearing, which is kind of a
4 spreadsheet that you should have in front of you all. The
5 three PGP units, Pocahontas Gas Partnership units at the
6 bottom, there's a summary there of the relevant information
7 that we usually offer and we'll be discussing that as we...as
8 we go forward today, but those numbers have been extracted
9 from pooling applications and exhibits and this is just a
10 matter of convenience to kind of focus your attention on
11 those matters.

12 You probably need to swear Les.

13 (Leslie K. Arrington is duly sworn.)

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LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Mr. Arrington, you need to state your full name for us.

A. Leslie K. Arrington.

Q. Who do you work for?

A. Consol.

Q. And did you prepare the, or cause to be prepared, the notices of hearing, the applications and the exhibits with regard these three pooling applications?

A. I did.

Q. Are all three pooling applications a request to pool under the Oakwood I frac rules?

A. Yes, they are.

Q. With regard to each of these three units, is there one well proposed?

A. Yes.

Q. And is that well depicted on the plats that are attached so that the Board can tell where it's located?

A. Yes, it is.

1 Q. And that would true for all three?

2 A. Yes.

3 Q. And is it also true that each of three
4 proposed wells, one in each unit, is, in fact, located in the
5 drilling window so that there's no requirement for an
6 exception with regard to any of these units?

7 A. That's correct.

8 Q. Is...who is the applicant?

9 A. Pocahontas Gas Partnership.

10 Q. And is Pocahontas Gas Partnership a Virginia
11 General Partnership with two partners, namely Consolidation
12 Coal Company and Conoco, Inc.?

13 A. Yes.

14 Q. Do each of the applications request that
15 Pocahontas Gas Partnership be designated the unit operator by
16 the Board if these applications are approved?

17 A. Yes.

18 Q. Has Pocahontas Gas Partnership registered
19 with the Department of Mines, Minerals and Energy, does it
20 have a blanket bond on file as required by law, and is it
21 authorized to do business in the Commonwealth?

22 A. Yes, it is.

23 Q. Have the names of the respondents in each of
24

1 these pooling applications been listed in the notice?

2 A. Yes, they have.

3 Q. Okay. With regard to DD-26, we're just
4 talking about the Virginia Department of Transportation?

5 A. That's correct.

6 Q. And if the Board were to look at the plat,
7 they would see that VDOT is in Tract 4, which essentially is
8 a portion of the roadway of Hwy. 632?

9 A. It is.

10 Q. And VDOT apparently acquired a fee interest
11 when they condemned that road?

12 A. Yes, they did.

13 Q. Okay. And that's what we're talking about
14 in DD-26?

15 A. Yes.

16 Q. Everything else is leased in that unit?

17 A. Yes, it is.

18 Q. Okay. Turning to EE-26, we've got a few
19 more folks here, right?

20 A. Yes.

21 Q. We have VDOT again?

22 A. Yes.

23 Q. And again, it's with regard to Hwy. 632,
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1 which in this particular unit is kind of in the North/East
2 portion of the unit?

3 A. Yes, it is.

4 Q. And then we have a collection of folks in
5 Tract 1 with various letters after it---?

6 A. Yes.

7 Q. ---that need to be pooled as well?

8 A. Correct.

9 Q. With regard to tract or with regard to FF-
10 26, we have Myrtle Hale and Mr. Rasnake from...who were also
11 in EE-26, correct?

12 A. That's correct.

13 Q. Now, in EE-26, the interest that we're
14 talking about, you have obtained leases...coalbed methane
15 leases from coal owners in what percentage?

16 A. Coal owners in EE-26, we've obtained
17 98.3125%.

18 Q. Okay. And the interest that you're seeking
19 to pool of the coalbed methane claims of coal owners and EE-
20 26 is what percent?

21 A. 1.6875%.

22 Q. Okay. With regard to oil and gas owners,
23 what interest have you acquired leases for?

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1 A. 38.0625%.

2 Q. And what percent of the interests or claims
3 of oil and gas owners to coalbed methane are you seeking to
4 pool in unit EE-26?

5 A. 61.9375%.

6 Q. Okay. With regard to FF-26, what is the
7 coal interests and claims that you have acquired leases for?

8 A. Okay. For the coal interest, we've leased
9 100% of the coalbed methane interest.

10 Q. Okay.

11 A. For the oil and gas interest, we've leased
12 65.6375%. We're seeking to pool 34.3625% of the oil and gas
13 interest.

14 Q. Okay. And with regard to the first unit
15 that we talked about where the only respondent is VDOT, what
16 is the interest or interests that you've acquired leases for
17 and the interest...the outstanding interest that you're
18 seeking to pool?

19 A. We're leased 99.3375% of the coal, oil and
20 gas coalbed methane interest. We're seeking to pool 0.6625%
21 of the coal, oil and gas interest. In all three units, we
22 have a 100% of the coal leased.

23 Q. Okay. With regard to the status of permits,

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1 what is the status with regard to these three units?

2 A. We have...in DD-26, we have the permit.

3 It's permit number 4553. It was issued in...on April the

4 20th of this year. FF-26 permit number is 4537 and there's

5 been a modification to it, and it was issued on April the

6 17th of this year.

7 Q. Could you give us the...and I take it you

8 don't have a permit yet for EE-26?

9 A. No.

10 Q. What are...what are the depths of the

11 respective wells and the cost estimates?

12 A. DD-26 is 2,002 feet with a cost of

13 \$227,356.05. EE-26, a total depth of 1,567 feet, a cost of

14 \$191,460.70. FF-26, a total depth of 2,312 feet for a cost

15 of \$255,617.50.

16 Q. Is the variation in costs between these

17 three wells essentially explained by the differences in

18 depth?

19 A. Depth and old mine works.

20 Q. And old mine works?

21 A. Yes.

22 Q. Dealing with that?

23 A. Uh-huh.

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1 Q. Okay. And what's the problem there?

2 A. We have to set an extra---

3 Q. Casing?

4 A. ---string or strings of casing to go through
5 those.

6 Q. Okay. Okay. With regard to the notices
7 here, did you indeed mail notices as required to the
8 respondents identified in the notices here?

9 A. Yes, we did. On August the 19th, we mailed
10 the notice by certified mail/return receipt requested. It
11 was also published in the Bluefield Daily Telegraph on August
12 the 24th of this year.

13 Q. And have you filed the proofs of mailing and
14 publication with Mr. Wilson's office?

15 A. Yes, we have.

16 Q. Okay. With regard to EE-26, are there some
17 revised exhibits included in the packet you passed today?

18 A. Yes, it was. There's a revised Exhibit B-3
19 and E. We had, in the original application and mailing, we
20 noticed a Donald Elbert Hale, which was the wrong Donald
21 Hale. We should have noticed Donald and Edith Hale, I
22 believe is correct.

23 Q. Okay. And---?

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1 A. We...we later...we did notice them and we do
2 have their certified/return receipt in our package.

3 Q. Okay. And when...when did you catch that
4 error and mail to them for the second time?

5 A. For the second time, there must have been
6 immediately...right after...just as soon as we got it.

7 Q. Okay. In any event, you've got a receipt
8 from them dated...indicating it was delivered on August the
9 28th, correct?

10 A. That...that's correct. Uh-huh. And we
11 also...just to indicate, we also sent a letter to the wrong
12 Donald Hale indicating that we had noticed them improperly.

13 Q. Okay. And that he could ignore it?

14 A. Yes.

15 Q. Sort of a never mind?

16 A. Correct.

17 Q. Okay. All right. So, are the only changes
18 then to revised Exhibit B-3 and E, the Donald Hale issue?

19 A. That's correct.

20 Q. And what happened with Exhibit C?

21 A. Exhibit C there...let's see that's EE-26,
22 the permit had not been issued. We had inadvertently failed
23 to put the permit number on that.

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1 Q. Okay. So, this shows the depth, but not a
2 permit number?

3 A. That's correct.

4 Q. Okay. Obviously, in all three of these
5 units you've leased, if not virtually all of the mineral
6 interest, certainly a substantial portions of the mineral
7 interests. What are the terms...the lease terms that you've
8 been offering to people that you've been able to lease from?

9 A. It's a \$1 per acre per year for a coalbed
10 methane lease, with a five year paid up term, and a one-
11 eighth royalty.

12 Q. Okay. And would the rental cease upon
13 production?

14 A. Yes, it would.

15 Q. Okay. And would you recommend those terms
16 to the Board in the event that they were to approve these
17 applications to provide for a deemed to have been leased
18 provision?

19 A. Yes, we would.

20 Q. All of these units as we've indicated are 80
21 acre units, correct?

22 A. That's correct.

23 Q. And they seek to develop coalbed methane gas
24

1 from the Tiller Seam on down, is that correct?

2 A. They do. These units are...I'm sorry. I'm
3 in error on the previous question about the 80 acres.

4 Q. Okay.

5 A. These are the bottom units on the Oakwood
6 Field.

7 Q. Okay.

8 A. So they do have a bit more acreage in them
9 than...than normal.

10 Q. Okay, can we tell from the plats---?

11 A. No, I didn't indicate on the top.

12 Q. Okay. So, these are boundary units?

13 A. Yes.

14 Q. Okay. And are they within the tolerance
15 allowed by the Oakwood Rules or as platted by the Oakwood
16 Rules?

17 A. Yes. They will be.

18 Q. So, these units are all depicted as they
19 would be depicted in the Oakwood Rules?

20 A. Uh-huh.

21 Q. Correct?

22 A. They are.

23 Q. And the maps that would be on file with Mr.
24

1 Wilson?

2 A. They are.

3 Q. Okay. And the seams that are...you're
4 seeking to develop for coalbed methane are from Tiller
5 Seam...starting with Tiller on down?

6 A. All coal seams below the Tiller.

7 Q. Okay. And the target formation here in each
8 case is the Pocahontas Three Seam?

9 A. It is.

10 Q. Okay. Is it your opinion that the plans to
11 develop coalbed methane gas under each of these units by the
12 frac wells that are platted on the various well maps or unit
13 maps is a reasonable plan to develop the coalbed methane
14 under these three units for the benefit of all owners?

15 A. Yes, it is.

16 Q. Okay. Have the estimates that you've made
17 with regard to well costs with regard to these three units,
18 do they represent your best estimate as to the ultimate cost
19 of drilling and completing these wells?

20 A. Yes, they do.

21 Q. Okay. That's all I have.

22 MASON BRENT: Okay. Any questions for this witness?

23 MAX LEWIS: Yeah. What's the reason that you have
24

1 more than an 80 acre tracts in these units? Why...why---?

2 LESLIE K. ARRINGTON: Well, the bottom unit of the
3 Oakwood Field is supposed to reach down and touch quad...quad
4 boundary. In the Oakwood Field, that last unit is basically
5 a makeup unit.

6 MAX LEWIS: How much more than 80 acres?

7 LESLIE K. ARRINGTON: Well, it's in the plus or
8 min...plus 10% range that the tolerance you're given. Well,
9 I guess it's 15%.

10 SANDRA RIGGS: Well, it's 15% Nora, but I think in
11 Oakwood, my recollection is that the grid that's attached to
12 the Oakwood Rules actually lays out the boundaries of the
13 unit and makes those oversized units.

14 MARK SWARTZ: Right.

15 SANDRA RIGGS: The field rule itself.

16 MAX LEWIS: 15%...up to 15%?

17 MARK SWARTZ: No.

18 LESLIE K. ARRINGTON: No.

19 SANDRA RIGGS: Well, it doesn't specify a number.
20 It just...it just shows it as an oversized unit to make up
21 the difference on the boundaries.

22 MAX LEWIS: Yeah.

23 SANDRA RIGGS: It's on the grid itself.

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1 MARK SWARTZ: Mr. Lewis, I...I can show you the map
2 we just happen to have for another reason today. This green
3 line is a quad line. But these are Oakwood units up here in
4 this last row before we get down to the Nora or nothing. If
5 you'll notice these (inaudible) are bigger and that's how
6 they were mapped in the original Oakwood Rules.

7 MAX LEWIS: Yeah.

8 MARK SWARTZ: So, there was actually a map that
9 showed the makeup acreage. Do you see...do you see what I'm
10 saying?

11 MAX LEWIS: Yeah.

12 MARK SWARTZ: And that's what Mr. Arrington is
13 saying, that these particular units fall in those makeup
14 areas.

15 SANDRA RIGGS: Would all three of them, Mark, or
16 just those bottom ones?

17 LESLIE K. ARRINGTON: No. It's FF.

18 SANDRA RIGGS: FF-26 would be the only one?

19 LESLIE K. ARRINGTON: I had 26 on my mind.

20 MARK SWARTZ: So, it's...if you'll see here, here's
21 where FF, okay. So, that's...that's the one in the makeup
22 row. The DD and EE obviously are, you know, are standard---

23 SANDRA RIGGS: 80 acres.

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1 MARK SWARTZ: ---80 acre units.

2 MAX LEWIS: Yeah, I see what you're talking about
3 there.

4 MARK SWARTZ: But FF and back here to 26...here we
5 go, you'll see it's still---

6 CLYDE KING: All the FFs are still---

7 MARK SWARTZ: It's still a slightly stretched unit.
8 But that's the explanation for it.

9 MASON BRENT: Any other questions for this witness?

10 DENNIS GARBIS: Yes, I have.

11 MASON BRENT: Mr. Garbis?

12 DENNIS GARBIS: Yeah, is there any particular reason
13 why...I noticed that in the leased, the other two, or at
14 least in DD-26, you've got 99%, FF-26 65%, but in EE-26
15 you're only at 38%. Is there any particular reason for that?

16 LESLIE K. ARRINGTON: Other than we just weren't
17 able to reach an agreement with the owners. The tract that
18 you'll notice that well is on is a fee tract that we do have
19 under lease and we were able to get in and drill the well,
20 but we weren't able to arrive at an agreement with the other
21 oil and gas owners.

22 MASON BRENT: Any other questions for this witness?

23 (No audible response.)

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1 MASON BRENT: Mr. Swartz, do you have anything else?

2 MARK SWARTZ: No.

3 CLYDE KING: Excuse me, Mr. Chairman.

4 MASON BRENT: Mr. King?

5 CLYDE KING: How much are we pooling, what
6 percentage?

7 MARK SWARTZ: Well, if you look on this exhibit
8 here, at the last three---

9 CLYDE KING: Okay.

10 MARK SWARTZ: ---the...in the column CBM adverse,
11 that's really what we're pooling. In DD-26, we're pooling
12 less than a percent of all the claims. In EE-26, we're
13 pooling less than 2% of the coal interest and roughly 62% of
14 the oil and gas interest. In FF-26, we're pooling 0% of the
15 coal interest and it's basically the reverse of the situation
16 in EE-26. We've got 62% and we're pooling, you know, 30 some
17 %, roughly 34%. So, that's...that's what's being pooled.

18 I might point out that the statute requires that
19 you have a 25% stake in a conventional drilling unit. So, if
20 these were conventional units, we would meet that test
21 clearly. But with regard to coalbed methane, there is no
22 requirement of a minimum percentage. I think by implication
23 you have to have some interest, otherwise you have no

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1 standing.

2 MAX LEWIS: We need to change that.

3 MARK SWARTZ: So, that's...that's where we are.

4 MASON BRENT: Okay. Any other questions?

5 (No audible response).

6 MASON BRENT: Anything further, Mr. Swartz?

7 MARK SWARTZ: No.

8 MASON BRENT: I assume you're requesting that we
9 approve these applications.

10 MARK SWARTZ: Yes.

11 MASON BRENT: Is there a motion from the Board?

12 MAX LEWIS: I make a motion---

13 KEN MITCHELL: I make a motion to approve.

14 MASON BRENT: Okay, we have a motion. Do we have a
15 second?

16 MAX LEWIS: I second.

17 MASON BRENT: Okay, any further discussion.

18 (No audible response.)

19 MASON BRENT: All in favor of approval, signify by
20 saying yes.

21 (All members signify with a yes.)

22 MASON BRENT: Opposed?

23 (No audible response.)

24

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1 MASON BRENT: Okay, you have approval.

2 MARK SWARTZ: Thank you.

3 CLYDE KING: Are we going to...are we going to hear
4 the others in November?

5 MASON BRENT: Yes. I was just going to fill Mr.
6 Garbis in on that. I think prior to your getting here, we
7 continued items two, three and four until November.

8 DENNIS GARBIS: Yes. I was here for those.

9 MASON BRENT: Okay. Great. So, now we'll move on
10 to the last item on our agenda, item number seven. The Board
11 on its own motion will reconsider its order entered on
12 October the 28th, 1997 in VGOB docket number 93-03/16-0348-02
13 by which it: (1) modified the Virginia Gas...Virginia Oil
14 and Gas Conservation Board order No. 3-90 entered May 18,
15 1990, Virginia Gas and Oil Board Order No. 93-0216-0325
16 entered April 5, 1993 and VGOB Order No. 93-0316-0348 entered
17 October 23, 1993; (2) VGOB Order Nos. 91-1119-0162 entered on
18 May 28, 1992, 93-0216-0336/93-0316-0349 entered June 23,
19 1993, and 93-0316-0348 entered October 23, 1993; and (3) OGCB
20 Order 9-89 entered March 20, 1989, VGOB Order 89-0126-0009-01
21 entered December 2, 1996 and VGOB Order 93-0316-0348-01
22 entered December 19, '96...1996 for the purpose of
23 provisionally redefining the boundary lying between the Nora
24

1 Coalbed Methane Gas Field and the Oakwood I and II Fields, to
2 provisionally exclude the hereinafter described lands in
3 Buchanan County, Virginia from the Oakwood I and II Fields
4 and to provisionally include said lands within the Nora
5 Field, and to further provisionally establish drilling units
6 within said lands which are consistent with those being
7 established by the Nora Field Rules:

8 BEGINNING at latitude 37° 07' 30" longitude
9 82° 07' 30" being the S W corner of Unit FF1,
10 thence north to the S W corner of Unit CC1,
11 thence east to N W corner of Unit DD6, then
12 south to S W corner of Unit EE6, thence east
13 to S W corner of Unit EE8, thence south to
14 S W corner of Unit FF8, thence west to point
15 of BEGINNING.

16 Shew. I ask anybody who would like to...like to
17 participate in this hearing to come forward at this time.

18 MARK SWARTZ: Mark Swartz and Les Arrington
19 eventually.

20 MASON BRENT: Eventually?

21 JIM KISER: Jim Kiser and Don Hall on behalf of
22 Equitable Production Company. I've talked to Ms. Riggs and
23 Mr. Wilson and attempted to talk with Mr. Wampler. The
24 background on this---

25 MASON BRENT: Let me first note that there are no
26 other interested parties.

27

1 JIM KISER: We originally modified the original
2 Nora Field Rules in '96 and then again in '97. In the '97
3 order, the Board granted us the provisional right to drill
4 six wells within the modified area. Then asked us, upon
5 completion of those six wells, to come back and provide them
6 with certain technical data to enable them to change the
7 units from provisional units to permanent units.

8 We're at that place now. Unfortunately, due to
9 some...Equitable Production Company being in a state of flux
10 at this time with their acquisition of Stat Oil and some
11 internal things that they've got going on, including some
12 down sizing and the moving of their engineering department
13 first from Kingsport to Houston and then from Houston to
14 Alexandria, now from Alexandria to Pittsburgh.

15 (Everyone laughs.)

16 JIM KISER: It's really not that funny.

17 DON HALL: Not to them any way.

18 JIM KISER: Not to them, yeah.

19 CLYDE KING: It sounds like America today.

20 JIM KISER: We have our original expert witnesses
21 in this...for this matter...for this particular structural
22 area were Bob Dahlin and Tim Lewis, both of whom are
23 neither...neither of whom are with the company any longer and
24

1 we do have Joe Onnie, who is one of the chief engineers, I
2 guess, out of Pittsburg who is working on this. But we
3 didn't feel like we could be ready and have the evidence in
4 the form that we wanted to present to the Board until
5 October. So, at this time on at least the technical evidence
6 that we're required to present to the Board under the October
7 '97 order, we would like to request a continuance until the
8 October hearing. Mr. Swartz and Mr. Arrington and Carl
9 Morgan, in a meeting that we had last week in Tazewell,
10 graciously agreed to allow us to go that as they have an
11 interest in developing some acreage in this unit, too.

12 And then further, in talking with Ms. Riggs, she
13 asked that we at least come before the Board today to kind of
14 update you on what's going on before the October technical
15 evidence and to also present some sort of joint plan to
16 develop the rest of this acreage in this area. So, with that
17 being said, I'd ask that the...I guess this is sort of a
18 bifurcated thing on the technical end that we continue that
19 part of the matter until October when we will be ready and
20 then we'll go forward with just kind of giving you an
21 overview of what we've got here and how the two operators are
22 going to work together and what we've agreed on as far as the
23 development of the rest of this acreage.

24

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1 MARK SWARTZ: I thought I would participate a
2 little bit, Les and I. If you'll look at that map that Les
3 has provided this morning, the...this dark pink line here---.

4 MASON BRENT: I didn't get one of those maps, Mr.
5 Swartz.

6 MARK SWARTZ: Here.

7 LESLIE K. ARRINGTON: I think I laid it right
8 there.

9 MAX LEWIS: I've got two of them.

10 CLYDE KING: Ah-aah.

11 MAX LEWIS: I had two of them.

12 CLYDE KING: Max, you were hoarding.

13 MAX LEWIS: Yeah.

14 MARK SWARTZ: The original provisional unit is
15 essentially this pink line here. The green lines, which
16 actually were the boundaries of the unit as well, are quad
17 lines and so we've just put them in a different color. But
18 this was the original provisional area that the order that
19 was called today addressed. Over here you'll see these green
20 and black dots representing wells, as my client was headed
21 west happily drilling wells and developing units, they then
22 applied for a permit DD-5, I think,---.

23 LESLIE K. ARRINGTON: Correct.

24

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1 MARK SWARTZ: ---which is right here, which was in
2 an 80...which they had tried to permit in an 80 acre unit,
3 you know, and Mr. Wilson caught the fact that it was in
4 provisional units and has held that permit application in
5 abeyance. As luck would have it, about the same time EREC
6 filed for a permit down here, also assuming they were in a
7 standard unit and they were just inside of the provisional
8 unit in their permit application as has been stated. So, we
9 really need to square this away.

10

11 We have agreed, Consol and, I guess, it's Buchanan
12 Production over here, have agreed that, you know, we don't
13 have a problem with a continuance until October, but we
14 really want to deal with this in October if we possibly can
15 because, you know, we're...we're...our infrastructure is over
16 here, our lines are coming and we...and I feel like we have a
17 commitment from them that we will, in fact, deal with it in a
18 meaningful way in October. In the interim, though, we felt
19 like we could perhaps reach an agreement with regard to a
20 possible unit solution depending on, you know, verification
21 that the data that they would present, the engineering data,
22 that evidence they would present in October would make sense.
23 But this is an agreement that I feel like we have reached,

24

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1 which blends these provisional units on a Nora basis into the
2 Oakwood units without leaving any stranded acreage. Okay?
3 And what we've done is we've made larger units here in this
4 part that sticks out to make sure that we've...otherwise we
5 would have a line here and we would be stranding some acreage
6 at the top. We have included this in this unit, the hash
7 mark part, and essentially these people who own tracts in
8 this area will be paid twice. Once for production from this
9 Oakwood unit and once for production from the neighboring
10 Nora unit. So, that will take care of them. And then the
11 rest of this creates pretty obvious units to make sure that
12 there is from a correlative rights standpoint, every acre in
13 this area has a unit associated with it. To blend at the
14 top, what we've done is, we've just laid the unit sideways
15 and they're actually rectangles as opposed to squares. I
16 think they're 55 acres, if I'm not mistaken, and that then
17 blends the 60 acres into the 80 acres and that...that's
18 ...those are the boundary units. So, at least I felt like we
19 could make...between the two companies at least come to you
20 with a proposal and kind of share it with you in advance of
21 the hearing that at least we have a tentative agreement that
22 this...that this makes sense to us so you've got something to
23 reflect on for next month, I guess, and then they're going to
24

1 have to step up to the plate to deal with the reservoir
2 issues, to make...to see whether or not this, in fact, makes
3 sense when you look at the engineering. But that's...that's
4 kind of where we are. So, I feel like we've got an
5 agreement. We're not going to be in each other's way on this
6 with regard to the unit sizing.

7

8 The other thing that I wanted to talk to you about,
9 and we have talked informally a little bit with the staff,
10 but as long as this is going to be on your docket and I've
11 got a bigger map, too, but I thought I would share this with
12 you because, it will kind of, I think, highlights where I'm
13 concerned about. This is the area we've just talked about
14 over here where my...where my hand is and that's the
15 provisional units area that we have been talking about that's
16 in this pink area. Below that is the tail end of the Nora
17 Field. Okay? And then the Nora Field butts up against this
18 line, which would be Oakwood up here, and it butts up against
19 this line where there's nothing currently. And then this
20 is...the Oakwood Field is above all of this. And basically
21 what I'm interested in talking to you about today and
22 pursuing if we can in October, since we're going to be
23 talking about engineering issues and field rules, is to

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1 create field rules for this triangle area here where I've got
2 new rules written with a question mark. And you'll notice
3 that it is sort of a triangle. The reason it's a triangle,
4 the line to West and the line to the North intercept existing
5 field rules. The angled line to the South follows a
6 structural fault line where basically the coal folds over on
7 itself and it would be a natural demarcation point of a
8 field. And what we would ask that you consider...I've got a
9 larger map, which...maybe we could just hold it up here.
10 Basically, this is a larger map which actually shows in pink
11 again the provisional area that we've been talking about
12 today. This is a quad line, which happens to be, you know,
13 the southern boundary of the Oakwood Field. The Nora Field
14 comes up to this quad line, this green line, and you'll
15 notice there's a partial unit if you extend the Nora Field it
16 leaves a half size unit. In this area, and we've shown the
17 fault line here in green. The two fault lines are here. And
18 this is the area where there are no field rules that abuts
19 the Oakwood Field to the North and the Nora Field to the
20 West. Consol has...had Halburton working for about three
21 months, a reservoir engineer, to size units and describe the
22 reservoir in this area based on wells in this area and other
23 wells that we think are comparable in the production curve,

24

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1 and certainly if we were able to come back in October and
2 deal with this, we would have that fellow from Halburton. We
3 may or may not need a geologist with regard to the fault line
4 and a final decision because it's pretty...it's actually
5 mapped on quad maps. It's a pretty well known feature and
6 certainly Mr. Morgan would be here as well. And what we're
7 asking is that as long as we're going to be doing with
8 comparable issues, we would ask that the Board consider
9 putting on the docket for October and obviously (inaudible)
10 would be on us to step forward, but allow us to come forward
11 in October to deal with this area from a field rules
12 standpoint. So, in addition to saying, yeah, we feel the
13 continuance is appropriate, but as long as we're back here,
14 we think we...you know, it might appropriate to also have
15 this...this on as well. It's a very similar topic and it
16 does sort of complete this area up to a natural boundary.
17 The problem we've had in the past with some of the field
18 rules is they don't...they stop at a quad line, which of
19 course, has nothing to do with...necessarily with what's
20 going on underground. Here we...you know, we can, at least
21 in this particular area, I think truncate field rules in
22 relation to a natural boundary where the conditions clearly
23 have changed or do change. So, that in a nut shell is our
24

1 response with regard to the provisional rules issue.

2 MASON BRENT: Leave...leave that open for a second.

3 MARK SWARTZ: Okay.

4 CLYDE KING: If you don't mind.

5 MARK SWARTZ: Sure.

6 CLYDE KING: Mr. Chairman?

7 MASON BRENT: Go ahead, Mr. King.

8 CLYDE KING: This area that you were just talking
9 about here, I don't have a map...is there another map that
10 showed that as not being either Oakwood or what...and there
11 are some...aren't there some wells already drilled in that
12 area?

13 MARK SWARTZ: Right. These...these wells...the
14 black wells are drilled. The black dots. So, we've got,
15 what, four or five here?

16 LESLIE K. ARRINGTON: There's probably...up to
17 today, there's probably ten of them through there.

18 MARK SWARTZ: Okay, that we've drilled?

19 LESLIE K. ARRINGTON: Uh-huh. So, we're drilling
20 under State...you can drill in this State even if you don't
21 have field rules, but you'd be drilling under State... State
22 wide spacing.

23 SANDRA RIGGS: Which is the circular unit instead
24

1 of the grid.

2 MAX LEWIS: Yeah, a 80 grid.

3 CLYDE KING: Oh, okay.

4 MARK SWARTZ: Right. So, these, you know,
5 are...they may be voluntary units. They probably are.

6 LESLIE K. ARRINGTON: So, excuse me. So, if we
7 approve that, then it's going to have to be laid out in the
8 Oakwood, is it? Is that probably what it's going to end up
9 or---?

10 MARK SWARTZ: No, actually these are, I think...as
11 mapped, they're 58 acres.

12 LESLIE K. ARRINGTON: I think they are. Uh-huh.

13 MARK SWARTZ: 58.5, I think as mapped...I mean,
14 it's pretty close.

15 JIM KISER: Similar to the Nora units?

16 MARK SWARTZ: Right.

17 LESLIE K. ARRINGTON: It's similar. Yeah. 1,600
18 foot squares is what it is.

19 MARK SWARTZ: And...and---.

20 CLYDE KING: Not as big as...not as big then as---.

21 MARK SWARTZ: Not as big as the Oakwood---.

22 CLYDE KING: Yeah.

23 MARK SWARTZ: ---but the same size roughly as the
24
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1 Nora. Because the Nora...although the Nora says it's 60, it
2 plats...it plats---

3 JIM KISER: It's 58.7 something.

4 MARK SWARTZ: ---out at 58.7 something because it's
5 1,600...it's a 1,600 foot square as opposed to a 1,616 foot
6 square, which would equal 60.

7 SANDRA RIGGS: Under the Nora Field Rules, it
8 established...instead of like Oakwood where you had a grid,
9 it established an approximate sizing and gave them a 15%
10 variance so that they could change the size of the unit
11 within 15%. So, the 58. whatever grid meets that 15%
12 tolerance that was established in those field rules.

13 MASON BRENT: Yeah, I---

14 CLYDE KING: So, basically that's what...excuse me,
15 Mr. Chairman.

16 MASON BRENT: Go ahead.

17 CLYDE KING: That's basically what we're going to
18 be looking at in October.

19 MARK SWARTZ: Right. And I don't know...I mean,
20 you know, these wells are already in production. We may---

21 LESLIE K. ARRINGTON: No.

22 MARK SWARTZ: They're not?

23 LESLIE K. ARRINGTON: They're not in production.

24

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1 MARK SWARTZ: Okay. As long as they're not in
2 production, we could...we could...you know, if we'd already
3 been paying on circles, we'd have some problems going back to
4 the drawing board. But as long as we haven't created units
5 and produced these wells to date, you know, whatever you all
6 would be comfortable with could apply to everybody, including
7 these ten or so wells. This map..the black indicates drilled
8 and there's five or six on here, but, you know, it's an
9 ongoing thing. So...and the green dots are definitely wells
10 that are, you know, in the process of being drilled or
11 permitting.

12 MAX LEWIS: The one that owns these wells, they
13 will be notified about the production of these wells?

14 LESLIE K. ARRINGTON: They have been.

15 MARK SWARTZ: They have been.

16 MAX LEWIS: Well, but I mean whenever...well, if we
17 change this.

18 MARK SWARTZ: Well, these are---.

19 JIM KISER: They were notified on the permitting.

20 MAX LEWIS: Huh?

21 MARK SWARTZ: These are voluntary units that we
22 have people where we have leases from.

23 MAX LEWIS: Yeah.

24

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1 MARK SWARTZ: Okay. So, if we're going to
2 include...if it wound up that the field rules put people into
3 these units that we didn't already have a lease from, we'd
4 have to be back to pool them. I don't know if that's what
5 you were asking.

6 LESLIE K. ARRINGTON: They will get noticed of the
7 poolings, the ones that we don't have leases---

8 CLYDE KING: So, you've already...already got these
9 all approved?

10 MARK SWARTZ: The wells are permitted.

11 CLYDE KING: I mean---

12 MARK SWARTZ: Right. I mean, you give notice when
13 you get a permit and you can...you don't need to come before
14 this Board if you've got a voluntary unit under State wide
15 rules. So, if they're not circled, you have a 100% of the
16 folks leased, you know, from the well bore. You're...you
17 know, you're off and running and that's...that's where we
18 are. But we haven't produced these wells yet. So...and our
19 leases allow us to pool acreage into drilling units that you
20 all create. So, if...you know, if we haven't produced these
21 before the units are created, we can then voluntarily pool
22 leased acreage into these units. If a 100% of the acreage
23 turns out in a square, it turns out to be leased, well it's a

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1 voluntary unit. You won't see us. If a 100% is not leased,
2 you will see us because we can't lease those folks we have to
3 pool.

4 MAX LEWIS: Why are you holding a permit on DD5?

5 MARK SWARTZ: We don't have a permit.

6 MAX LEWIS: Well, I said I thought he was holding
7 it.

8 MARK SWARTZ: Oh, he is holding it. Yeah.

9 BOB WILSON: The original order specified that only
10 six wells could be permitted in that provisional area and
11 those six wells have been permitted and drilled. The DD5
12 permit application could not be issued until the Board had
13 acted to lift that provisional order. The VC-3670 well down
14 in the lower left hand corner, which is an Equitable well,
15 was actually permitted in a unit that's largely outside this
16 boundary, but because the well fell within the boundary
17 defined by this provisional order, we had to also put a stay
18 on that permit.

19 MAX LEWIS: Well, what about---?

20 BOB WILSON: Until such time as the Board acts.

21 MAX LEWIS: ---DD4? It's---.

22 BOB WILSON: DD4 hasn't been proposed. It hasn't
23 been submitted.

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1 LESLIE K. ARRINGTON: I haven't submitted it yet.

2 MAX LEWIS: Okay.

3 BOB WILSON: That's the location that they have put
4 on it, They have not submitted an application yet. But no
5 further permits can be granted in this area until the Board
6 acts to come up with permit field rules either/or otherwise.

7 MARK SWARTZ: It's kind of an unusual order and I
8 don't know why. But it basically says you can only have six
9 wells in that whole area, which obviously was---.

10 SANDRA RIGGS: I think the reason, as I recall, was
11 that the Board didn't feel at the time they had enough
12 information to negate Oakwood and establish the 60 acres and
13 the purpose for allowing the six wells to be drilled
14 provisionally was to develop that additional information so a
15 decision could be made as to the ultimate unit size.

16 MASON BRENT: And that was the information that Mr.
17 Kiser's folks were going to bring to us.

18 JIM KISER: Right.

19 DON HALL: In October, hopefully.

20 MASON BRENT: Yeah. Well, at the time, we said
21 bring to us before we would...before we would approve any
22 other wells in the area.

23 MARK SWARTZ: We feel the same way now.

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1 (Everyone laughs.)

2 MASON BRENT: Just one other quick thing.

3 You...you said you'll be proposing that the...that coal fault

4 line would be the line for this new area, yet that fault line

5 continues on through Nora and is not a demarcation there. Do

6 you have some compelling reasons as to why you use that fault

7 as the demarcation as to opposed to the overall quad?

8 MARK SWARTZ: As we understand it, the coal

9 essentially stops---.

10 LESLIE K. ARRINGTON: That's correct.

11 MARK SWARTZ: ---at the fault line.

12 MASON BRENT: Oh, okay, so that's it.

13 MARK SWARTZ: Right. I mean, that's the...that's

14 the geological explanation---.

15 MAX LEWIS: It doesn't...it doesn't stop but it's

16 turned up.

17 MARK SWARTZ: Right. But it's turned up and it

18 doesn't---.

19 MAX LEWIS: It doesn't stop.

20 MARK SWARTZ: ---continue on as far as we know.

21 CLYDE KING: It's sitting on it's---.

22 MAX LEWIS: Edge.

23 CLYDE KING: Yeah.

24

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1 MAX LEWIS: Yeah, edge coal.

2 MARK SWARTZ: And what we...what we were...what
3 we've got mapped here since, you know, we roughly know where
4 this fault line is, but we've stepped across the line to end
5 these units with a complete unit so that we're not, you know,
6 winding up with these partial units that...so that if, you
7 know, somebody wants to drill right on the fault and see if
8 they get something, there's...there's a unit.

9 MASON BRENT: Any further questions? Mr. Garbis?

10 DENNIS GARBIS: I have a few. From a macro sense,
11 is there...is there...from a productivity standpoint, is
12 there that much of a difference from looking at it like the
13 Nora area and the Oakwood, this area is the productivity on a
14 macro sense, that much larger from this area that justifies
15 it? I mean, has it been...has it born out what the
16 original---?

17 MARK SWARTZ: I mean, the engineering...the
18 engineering indicates...you know, I'm going to let the
19 reservoir engineers tell you this, but I'm going to give you,
20 you know, the lawyer's version---.

21 DENNIS GARBIS: Oh, I'd better be careful then.

22

23 MARK SWARTZ: ---as you get over...as you get over

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1 towards Richlands, in the Oakwood Field, if we had it to do
2 over again, we'd rather have, you know, the 58-60 acre units
3 because what we're seeing, you know, are production curves
4 that are more...it would be more advantageous for us to drill
5 on a 58 or 60 acre spacing. What...what drove the Oakwood
6 Rules in the beginning was that the standard cubic feet of
7 gas per ton of coal in the heart of the Oakwood Field was
8 enormous and we were looking at the gas content of the coal
9 to drive, you know, the...it was the driving force between
10 why the Oakwood units were bigger than the Nora units. If
11 you went west into the Nora area, the standard cubic feet of
12 gas per ton of coal was dramatically different and as you go
13 further and further west in the Roaring Fork or whatever, you
14 know, it gets even less and less. We initially were looking
15 at the coal. What has happened now, though, as they model,
16 our experience in the...over toward Richlands, the test wells
17 that we've drilled here and some of our experience to the
18 North where the coal starts to thin out and we don't have the
19 gas content that we have in the heart of the Oakwood Field,
20 is you get a spike of production immediately after you drill
21 one of these wells for about six months and then it just
22 craters, and then after a year, or two or three four years,
23 it's back up almost to where it was; and what we understand

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1 now, I mean, it takes time, is that what you get
2 orig...initially when you produce the well, and, I mean,
3 we're a dramatic part. What you get initially when you
4 produce the well is the free gas that has disorbed from the
5 coal in the seam and the associated strap. Once you've got
6 that free gas out, then the coal...the gas starts to...needs
7 to start disorbing...disorption from the coal seam. And that
8 doesn't happen until you essentially depressurize the coal
9 seam to allow disorption to occur. The more wells that...I
10 mean, the reason we propose groups of wells is what you
11 really need to do is depressurize the reservoir and that
12 allows the disorption process. The greater the density, the
13 more wells you have helping to depressurize. So...I mean,
14 you know, people often think that, you know, we're just
15 interested in drilling one well or two wells. I mean, there
16 is economically the driving forces, the more wells we drill,
17 the quicker we depressurize the formation, the sooner the
18 disorption process after the initial pike starts, and we can
19 get that three or four year dead zone before production
20 resumes down into six months to a year range if we drill on a
21 narrow spacing, which means smaller units and aggressively so
22 that the nut shell engineering reservoir answer is as you
23 get...as you step out in the Oakwood Field, this kind of

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1 spacing would have made more sense, but we didn't have that
2 kind of data that we now have. For this area, we do have a
3 test well that Halburton...I think the Halburton people are
4 working on this for about three months and there's a test
5 well, or wells, down here that they tested and there's some
6 step out wells in the Richlands area and some other areas,
7 and they basically apply to the production curves to try to
8 understand what's going on in the reservoir. So, we're
9 looking at gas content and we're looking at the performance
10 of the reservoir prior to depressurizing it. Initially, we
11 thought we had a water problem. Then we changed out all of
12 our pumps to dewater the coal because we thought the reason
13 it was choking off was that our water removal from the bottom
14 of the wells was not sufficient. So, we went from older
15 pumps to the new pumps that we've used. It turns out we
16 spent all of that money for no reason because that was not
17 the answer. It was basically reservoir pressure. So, the
18 Halburton guys is going to be here in October. You know,
19 we'll bring that data and show you schematically what it's
20 talking about. Claude will be here to talk about actual
21 production. We may or may not bring...what's his name?

22 LESLIE K. ARRINGTON: Mark.

23 MARK SWARTZ: Right. With regard to geology. We

24

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1 probably will with regard to the fault. Although that will
2 be a pretty minor point to make. But that's, you know, in a
3 nutshell, that's what we see happening.

4 DENNIS GARBIS: So, once you...you have the spike
5 and then you go into a flat period and then after you said
6 three to four years at the---?

7 MARK SWARTZ: Well, it can be. I mean, it depends
8 on how quick you depressurize it. I mean, what you're
9 looking at is...just to chart this.

10 (Mr. Swartz draws on a board to demonstrate.)

11 MARK SWARTZ: If this is time and this is
12 production, you know, you start off and then you've got a big
13 curve like this. This is about six months or so. It comes
14 down and flattens out and then ultimately it will tail off
15 again. And what we're trying to do by unit sizing and
16 spacing is compress this from a two to three to four years to
17 get it down to less than a year.

18 DENNIS GARBIS: On your second hump over there, how
19 long is that period? Do you know? Do you have any
20 information on that?

21 MARK SWARTZ: I'm sure that this fellow can tell
22 you. I don't...I don't recall if we even talked about it, I
23 mean, I...when I was talking with Claude.

24

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1 DENNIS GARBIS: That's relevant. I mean, to make
2 that hump last out for three or four years, then you're---

3 MARK SWARTZ: Oh, it's...no, we're talking twenty
4 years. I mean, I don't know how long the hump lasts.

5 DENNIS GARBIS: Yeah.

6 MARK SWARTZ: But before the tail comes down...I
7 mean before a...let...let me compress this. Okay, let's say
8 that this is a zoom in now. So we've got the initial hump.
9 We've got something coming on...we've got it almost
10 recovering to there, and then we've got...and this would...it
11 would not surprise me at all if, you know, this was...I don't
12 know about 30, but certainly 20 years before it gets, you
13 know, gets back down. The money...the time value of money
14 cost issue, economic issue that we're focusing on is just the
15 dead zone here. You know, where you've got some great
16 production. We spent all of this money and it just goes to
17 zero, I mean, basically. And if we can...you know, if we
18 can...you know, if we can take two or three years out of that
19 equation and just pick this up and shift it over to here,
20 that's what we're looking at in terms of unit sizing. And
21 that seems to be a function of depressurizing (inaudible).
22 But the tail here is a long one. It's a long tail. We're
23 anticipating if you don't mine through these things, but

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1 we're over in that area where mining is, you know, tentative
2 if at all. You know, they're going to produce for a long
3 time period.

4 MASON BRENT: Okay. Mr. Mitchell, do you have a
5 question?

6 KEN MITCHELL: Yes, one question. The southerly
7 demarcation line shows the natural fault line.

8 MARK SWARTZ: Right.

9 KEN MITCHELL: But there's two fault lines. So,
10 are you proposing using the very southerly most fault line as
11 the fault line?

12 MARK SWARTZ: Yes.

13 KEN MITCHELL: Okay.

14 MARK SWARTZ: And, you know...and I'm going to let
15 the geologist go through that with you. I mean,
16 they...they've got a pretty good idea where these things are.
17 But, you know, I'll let him explain what...you know,
18 basically to get them to creationism when we talked to these
19 guys. So, I'll let him come here and explain how the world
20 is created. Why this is what it is. But that's pretty much
21 what you'll hear from these fellows.

22 MAX LEWIS: If you'll read the Bible, you can tell.

23 MARK SWARTZ: We didn't hear that, Max?

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1 MAX LEWIS: I said if you'll read the Bible, you
2 can tell how it was created.

3 MARK SWARTZ: Well, he may be...you may be thumping
4 that a little bit.

5 (Everyone laughs.)

6 MARK SWARTZ: What we would like, I guess, is your
7 indulgence in trying to get these wells out of State wide
8 spacing into some sensible square so we're not stranding any
9 acreage. That's really the point, I guess, of this.

10 MASON BRENT: Any other questions from the Board?
11 Mr. Dennis?

12 DENNIS GARBIS: Yeah, if I may, can we go back to
13 this drawing?

14 MARK SWARTZ: Yes.

15 DENNIS GARBIS: So, to recapitulate, the way and
16 what you would like to do over here where you have this
17 (inaudible), the people would get paid twice?

18 MARK SWARTZ: Correct, and we've done that before.

19 DENNIS GARBIS: I don't have any objection to that.

20 MARK SWARTZ: Okay.

21 DENNIS GARBIS: What did you say this little area,
22 I guess, along the X axis, if you will, or going
23 horizontally, from here, what happens from here to her?

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1 MARK SWARTZ: That green lies from---.

2 JIM KISER: We want to move that up anyway.

3 DON HALL: Yes.

4 DENNIS GARBIS: Okay. I understand.

5 DON HALL: We...we'd ask that Board consider move
6 that up---.

7 JIM KISER: We want to move that up to the green
8 line anyway.

9 MARK SWARTZ: We'd like to move it. It's a
10 nothing.

11 DON HALL: It's something right now.

12 MARK SWARTZ: No. But it will disappear in the
13 proposal as a meaningful unit. We'll just use the existing
14 line as---.

15 JIM KISER: It will disappear once this becomes
16 permanent rather than provisional?

17 MARK SWARTZ: Right. Right.

18 DON HALL: Right. Of course, the northern
19 adjustment that we're making will be an adjustment to the
20 original provisional unit on the...the horizon...the
21 rectangular units up there. Basically, what the northern
22 line is doing is taking those small, probably 30 acre, units
23 and mining them with an 80 acre unit to the North and then
24

1 dividing those in two. So, that will adjust that northern
2 line.

3 SANDRA RIGGS: Are the two most eastern lines
4 currently oversize units, those two out in the step out area?
5 Those are a little bit larger than...is that...were they that
6 way under the provisional rules?

7 MARK SWARTZ: No, we've eliminated...we've erased
8 the line.

9 SANDRA RIGGS: These two?

10 MARK SWARTZ: We've erased...if you would extend
11 this line, we've erased that.

12 DON HALL: You would have had two slivers of make
13 up units without that...with that line.

14 MARK SWARTZ: See if you extended this 60 acre---.

15 SANDRA RIGGS: Right, which made those two oversize
16 units?

17 MARK SWARTZ: Well...or stranded some acreage.

18 SANDRA RIGGS: Right. So, you went your tolerance
19 ...those won't be the 58. Those will be like 60 whatever,
20 right?

21 MARK SWARTZ: Right.

22 DON HALL: Yes.

23 MARK SWARTZ: Right. And actually, I think the
24

1 change is within the 15% anyway.

2 SANDRA RIGGS: Right.

3 MARK SWARTZ: But, yeah, it will be bigger units
4 not to strand that acreage.

5 SANDRA RIGGS: Exactly.

6 DON HALL: But with that southern line
7 disappearing, there...that southern portion would be in that
8 block that has a 92 in it.

9 SANDRA RIGGS: Right. It still leaves it a little
10 bit bigger than the one to the...to the left, but it's still
11 within the Nora tolerance, as I understand it.

12 JIM KISER: Still within the 15%

13 DON HALL: Right.

14 MASON BRENT: Okay. Any other questions? Okay,
15 let me see if I've got this straight. What we've got before
16 us is a request to continue the matter that was on there
17 again for today. Then in addition, you're asking us to, on
18 our own motion, to add to next month's meeting consideration
19 of new rules in that area you described here---.

20 MARK SWARTZ: Right. Yes.

21 MASON BRENT: ---before us today. Okay, is
22 that...are we all clear on that?

23 MARK SWARTZ: Correct.

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1 MASON BRENT: Okay, is there any objection to
2 continuing the matter that's before us today until October?

3 (No audible response.)

4 MASON BRENT: Okay. Hearing no objection, we will
5 continue this matter. In addition, I will ask if there is a
6 motion that we...that we notice for next month's meeting
7 consideration of new rules for the area that has been
8 presented to us today? And if so, we'll have Ms. Riggs draw
9 up a notice and motion. Do we have a motion on that?

10 CLYDE KING: So move.

11 MASON BRENT: We have a motion. Do we have a
12 second?

13 DENNIS GARBIS: Second.

14 KEN MITCHELL: I second.

15 MASON BRENT: Any further discussion?

16 (No audible response.)

17 MASON BRENT: If not, the motion is approved.

18 MARK SWARTZ: Thank you very much.

19 MASON BRENT: Okay. Anything further to come
20 before the Board today? If not, we'll adjourn. Thank you.

21

22 STATE OF VIRGINIA,

23 COUNTY OF BUCHANAN, to-wit:

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