VIRGINIA:

IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD

JUNE 18, 2002

APPEARANCES:

MASON BRENT, GAS & OIL INDUSTRY REPRESENTATIVE
CLYDE KING, PUBLIC MEMBER
MAX LEWIS, PUBLIC MEMBER
BENNY WAMPLER, DIRECTOR OF THE DMME & CHAIRMAN

SANDRA RIGGS, COUNSEL FOR THE BOARD WITH THE ATTORNEY GENERAL'S OFFICE
BOB WILSON, DIRECTOR OF THE DIVISION OF GAS & OIL AND ACTING PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

INDEX

AGENDA AND DOCKET NUMBERS:		UNIT	PAGE
1)	VGOB-93-02/16-0328-01	Unit Q	(Cont.)
2)	VGOB-02-05/21-1028	AZ-115	9
3)	VGOB-02-06/18-1032	BE-101	13
4)	VGOB-02-06/18-1033	FF-34	22
5)	VGOB-01-12/18-0989-01	F-27	(Cont.)
6)	VGOB-01-12/18-0990-01	G-28	(Cont.)
7)	VGOB-01-12/18-0991-01	G-19	(Cont.)
8)	VGOB-01-12/18-0993-01	K-20	(Cont.)
9)	VGOB-01-12/18-0995-01	G-18	(Cont.)
10)	VGOB-02-06/18-1034	Well No. 743	62
11)	VGOB-02-06/18-1035	VC-505187	(Cont.)
12)	VGOB-02-06/18-1036	V-502735	72
13)	VGOB-02-06/18-1037	CNR-24542	81
14)	VGOB-02-06/18-1038	CNR-24655	(Cont.)
15)	VGOB-02-06/18-1039	CNR-24629	(Cont.)

EXHIBITS:
None

****AGENDA ATTACHED

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

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

CLYDE KING: My name is Clyde King. I'm from Abingdon and welcome.

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

MAX LEWIS: My name's Max Lewis. I'm from Buchanan County. I'm a public member.

BOB WILSON: I'm Bob Wilson. I'm the Director of the Division of Gas and Oil, and the principal executive to the staff of the Board.

BENNY WAMPLER: Thank you. The first item on today's agenda is the Board will reconvene docket number VGOB-93-02/16-0328-01 for unit Q-40 for further consideration of applications filed for calculation and disbursement of funds on deposit. This is docket number VGOB-93-02/16-0328-

01 continued from May. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

MARK SWARTZ: We've been in contact with Mr. Wilson and his office and the bank. We've experienced a delay in getting information from the bank to try and reconcile our records. We got a fax...was it a fax or email?

LESLIE K. ARRINGTON: Email.

MARK SWARTZ: Email, at 4:58 last night, which may contain the information we need. But obviously, you know, we didn't have the chance to digest.

CLYDE KING: 4:58 a.m.?

MARK SWARTZ: So, we're going to need another thirty days. But at least it looks like we may have the information which we've been struggling to get for a couple of months. Although we need a continuance, it looks like we actually may be able to conclude this next month.

BOB WILSON: We had...well, we had a couple of problems. We had a little lapse in communication there on this one for one thing. But the bank didn't get back as

quickly as it should. But we also had a secondary problem with this particular account. If you will recall, in the months after...immediately after First Union took over the account, we had some problems. We had to go up and get squared away insofar as some erroneous account numbers that had placed money in and this sort of thing. This particular docket number is for account number Q-40, I believe.

BENNY WAMPLER: Correct.

BOB WILSON: And that was one of those that was originally placed in an incorrect account. The bank was not able to...or did not locate that particular portion of the account. We found a little problem in our system insofar as the cross referencing and the audit trail that they left when they corrected these accounts. We're addressing that in transit problem. But we think we have also gotten this one squared away and that's the email that Mr. Swartz was referring to that came in yesterday afternoon late. I think the account is to the point of being balanced now. Unfortunately, it didn't get done in time to meet today's deadline.

MASON BRENT: Are there others out there that fall in the same category?

BOB WILSON: We suspect so. That's why we are

going back to look at the system. This was...when they corrected the accounts, they put flags on the accounts and created an audit trail. But apparently it doesn't run in both directions such that when they were tracing it backward, they did not hit a trigger that showed them where that previous money had been. So, we're going to have to go back, and their computer people are working on this now trying to make sure that this doesn't happen in another case such that when they get into it, they will automatically follow it back to where it was corrected from. Yeah, there's a potential problem there. We are working on that. Hopefully, it will be a fairly easy one solved.

BENNY WAMPLER: So, we need to continue this until the July hearing?

MARK SWARTZ: Yes.

BENNY WAMPLER: Do you have any housekeeping with any of your other cases before we get into the---?

MARK SWARTZ: Yes. Geo Met, who was a respondent in docket items five through nine, which is a total of five items, which are all modifications, their lawyer had wanted to take a vacation and I was against that, but Les talked me into it. He's on vacation today and he asked if we could continue this. So, I think Mr. Wilson had talked to him as

well. So, we're going to...we're...we don't have a problem. At Geo Met's request and their lawyer, Scott Sexton, to continue these five until next month. And you'll notice if you look at the applications, we're basically talking about the lessees of a large land owner. So, we're not inconveniencing a bunch of folks.

BOB WILSON: Yes. I have a letter from Scott Sexton, who is the attorney for Geo Met, requesting that these items be carried forward so that they can have time to prepare a case and, as he said, he was scheduled to be out of town this week. The letter specifically mentions 989-01, 995-01, 991-01, 990-01 and 993-01 which, as Mr. Swartz said, are items five through nine.

BENNY WAMPLER: Any objection to continuing those?

(No audible response.)

BENNY WAMPLER: Hearing none, those are continued until next month.

MARK SWARTZ: Then the only other housekeeping... sort of housekeeping and it's sort of not, but with regard to docket item two, that was on last month's docket.

BENNY WAMPLER: Right.

MARK SWARTZ: And my partner was here on that and apparently, you know, took the testimony that was offered and

so forth. But there was a concern with regard to a non-specification of percentages in Exhibit B-3, and Les has got that paperwork straightened out, which he's prepared to pass out. So, from a housekeeping standpoint, I think we're just tendering those documents and let you look at them and see if they meet the directive that we received. If that's the case, then we're probably done with two. Then I am prepared to go with three and four.

BENNY WAMPLER: Okay. Well, I'll go ahead and call this---.

MARK SWARTZ: Okay.

BENNY WAMPLER: ---so we'll have it properly on the record.

MARK SWARTZ: That's fine.

BENNY WAMPLER: The Board will consider a petition from Pocahontas Gas Partnership for a pooling of a coalbed methane unit under the Middle Ridge I Coalbed Methane Gas Field order identified as AZ-115. This is document number VGOB-02-05/21-1028. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington on behalf of the applicant Pocahontas Gas Partnership.

(Mr. Arrington distributes the exhibit.)

BENNY WAMPLER: And just for the record, will you tell us one more time what you're clearing up here with what you've given us.

MARK SWARTZ: Right. When Crystal Stump was here last month, and Les, of course, the Board had a question with regard to the prior Exhibit B-3.

BENNY WAMPLER: Okay.

MARK SWARTZ: Which, with regard to Tract 4, listed a number of folks and then indicated that their interest had not yet been determined. So, there wasn't...there weren't percentages associated with their names. The Board, I'm told, had some difficulty with that, understandably so. And what we have tendered to you today, among other things, but this was the primary thing, is a revised Exhibit B-3, which down at the right hand...lower right hand corner shows a date of 6/17/02 and we have revised that Exhibit to show the percentages. We may have even caught an address or two. But we have straightened that out.

I will point out that there is, I think, a minor mistake in this exhibit. If you look at page two of four, come down about two-thirds of the way, you'll see tract four 14.35 acres. The H. C. Bostic Coal Company, Inc., et al,

which was an entry in the original exhibit, just got omitted there because there's an or. There's a title issue. So, we'll have Les fix that page so that when Sandra deals with the order, it's correct. But the H. C. Bostic Coal Company, Inc., et al, needs to be inserted under Tract 4 on page two of four. When I was looking at that this morning, I caught that error.

Now, in addition, the other amended or revised exhibits...we've got a revised Exhibit E, obviously, which tracks the B-3 percentages. And Les has filed the supplemental information with regard to mailing and publication. But I think that that...at least we believe that that...these items satisfy the instructions that we got from the Board last time, or at least we hope they do.

(Board confers among themselves.)

BENNY WAMPLER: I guess, from the information I had last time comparing to today, there's different...different folks in Tract 4 today than were listed in Tract 4 before.

LESLIE K. ARRINGTON: Uh-huh.

BENNY WAMPLER: So, I'd like to hear something on that a little bit.

LESLIE K. ARRINGTON: Okay. We went through and,

as you can recall, we had it identified as, I believe, J. P. Strouth heirs.

BENNY WAMPLER: (Inaudible).

LESLIE K. ARRINGTON: Uh-huh. As they went through trying to do the individual interest, we did identify some additional owners, additional, I'll call it, children and that's what's listed in here is the additional children that we learned of.

BENNY WAMPLER: So, all the people that were listed the last time are in here and you've also added other folks?

LESLIE K. ARRINGTON: Yes, we have.

MASON BRENT: Are you confident that it's complete now?

LESLIE K. ARRINGTON: Yes, I am.

BENNY WAMPLER: Are these records of notice, you've noticed to all these folks, the new folks that you have listed?

LESLIE K. ARRINGTON: Well, with the original notification, we done by publication through the J. P. Strouth heirs. We did identify additional people as we tried to...firm up all the individual interest.

(Board confers among themselves.)

BENNY WAMPLER: Any questions from members of the

Board?

CLYDE KING: You do feel confident that you're okay on what the changes are?

LESLIE K. ARRINGTON: Yes, I am.

BENNY WAMPLER: I don't think we acted on it last time. It was continued. So, we would need...do you have anything further, Mr. Swartz?

MARK SWARTZ: No, I do not.

BENNY WAMPLER: Is there a motion for approval?

MASON BRENT: Mr. Chairman, I move that we approve the application.

CLYDE KING: Second.

BENNY WAMPLER: Motion and second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The next item on the agenda is a petition from Buchanan Production Company for pooling of a coalbed methane unit under the Nora Coalbed

Methane Gas Field Order identified as BE-101. This is docket number VGOB-02-06/18-1032. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark A. Swartz and Les Arrington on behalf of the applicant, Buchanan Production Company.

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

MARK SWARTZ: This is an application to pool a Nora unit. And this particular unit is 58.78 acres. Les, you need to raise your hand here and be sworn.

(Leslie K. Arrington is duly sworn.)

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Okay, you need to state your name for the record, please.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, L.L.C.

Q. Okay. And did you either yourself prepare the notice and application and related exhibits or have someone assist you?

A. Yes, I did.

Q. And did you sign both the notice...you personally signed both the notice and the application here?

A. Yes, I did.

Q. And we've tendered some amended exhibits to the Board today?

A. Yes, we did.

Q. And is that essentially the result of having leased some people?

A. Yes, it is.

Q. Okay. So, we've got an Exhibit B-2, which would list presumably the folks that you were successful in leasing between the time you were originally filed this application and today?

A. Yes, it is.

Q. And since you have leases from them, they can be dismissed and they're shown at Exhibit B-2?

A. Yes.

Q. And then that would have changed Exhibit B-3 because you no longer needed to add those people as

respondents, right?

A. Right.

Q. And then lastly that would have changed the extent to which pooling's required. So, we've got an amended, or revised, Exhibit A, page two, correct?

A. That's correct.

Q. Okay. Who's the applicant with regard to this pooling petition?

A. Buchanan Production Company.

Q. Is Buchanan Production Company a Virginia General Partnership?

A. Yes, it is.

Q. Are its two partners CNX Gas Company, L.L.C. and Consol Energy, Inc.?

A. Yes, it is.

Q. Are both of these corporate partners in Buchanan Production Company wholly owned indirect subsidiaries...strike that. Is CNX Gas Company, L.L.C. a wholly owned indirect subsidiary of Consol Energy, Inc.?

A. Yes, it is.

Q. Is Buchanan Production Company authorized to do business in the Commonwealth of Virginia?

A. Yes.

Q. Who is the applicant requesting be designated by the Board as its operator?

A. Consol Energy.

Q. Okay. Is Consol Energy a Delaware Corporation?

A. Yes, it is.

Q. Is it authorized to do business in the Commonwealth?

A. Yes, it is.

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

A. Yes, it does.

Q. Sometime ago in the early '90s, did the management committee of Buchanan Production Company delegate the authority to explore, develop and maintain its property and assets in the Commonwealth?

A. Yes, it did.

Q. And has Consol Energy, Inc. accepted that delegation of authority as a successor to other folks who preceded it?

A. Yes.

Q. Have you listed the names of all of the

people that you are seeking to pool today in the revised Exhibit B-3?

A. Yes, we have.

Q. Okay. And have...and, I assume, you want to dismiss some folks today?

A. Yes, we do.

Q. And where can we find their names?

A. Under Exhibit Number Four, listed as Exhibit B-2.

Q. Revised Exhibit Four?

A. Yes.

Q. Okay. And what is the reason why you're seeking dismissal of the persons listed in B-2?

A. We've leased those interests.

Q. Okay. What is the interest that you've acquired here and the interest that you're seeking to pool?

A. We've acquired 100% of the coal, coalbed methane and we have leased or own 84.494639% of the oil and gas coalbed methane interest. We're seeking to pool 15.505361% of the oil and gas, coalbed methane interest.

Q. How many wells are proposed?

A. One.

Q. And there's a plat and it shows BE-101 in

the drilling window, is that correct?

A. Yes, it does.

Q. And this well, do you have a permit for it?

A. Yes. Permit number 5315 was issued on April the 8th of 2002.

Q. And the proposed drilling depth?

A. Estimated depth of 2,375 feet, estimated cost of $199,575.03.

Q. You have, I believe, an Exhibit E, which indicates that we're going to need escrow here?

A. Yes.

Q. And, I think, that it indicates that there is a need to escrow because of conflicting claims, correct?

A. Yes.

Q. And also if you look at 205, and perhaps elsewhere, there is also a need to escrow because of some unlocateable folks?

A. Yes...yes, it is.

Q. Okay. And that would be the two reasons requiring escrow?

A. Yes, it is.

Q. Now, this unit is a Nora unit, correct?

A. Yes.

Q. And you have produced from the unit by one frac one?

A. Yes.

Q. And the acreage in this unit is 58.78 as indicated by the plat?

A. That's correct.

Q. What did you do to notify the folks that are listed as a respondents of this hearing?

A. We mailed by certified mail/return receipt requested on May 17th of 2002. It was published in the Daily Telegraph on May the 25th of 2002.

Q. Have you filed with the Board this morning information regarding both mailing and publication?

A. Yes, we have.

Q. What lease terms have you offered to the folks that you...obviously, the large number of folks that you have been able to lease?

A. Our standard coalbed methane lease is a dollar per acre per year rental with a one-eighth production royalty. And the rental is a five year paid up term.

Q. Okay. And the well does not require a location exception, correct?

A. No.

Q. Is it your opinion that the plan of development, which is disclosed by the application and exhibits, is a reasonable plan to develop coalbed methane in this Nora Field unit?

A. Yes, it is.

Q. And will the pooling of this well contribute to and protect the correlative rights of all of the owners or claimants to the coalbed methane within and under this unit?

A. Yes, it will.

Q. Okay, and we've already noted that escrow is required, correct?

A. Correct.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: The folks who have address unknowns are in Tract 3, is that correct?

LESLIE K. ARRINGTON: Yes.

BENNY WAMPLER: I didn't notice any in any of the others. Are you on the surface at all of any of Tract 3?

LESLIE K. ARRINGTON: No, sir.

BENNY WAMPLER: Not disturbing that all? That's on the other side of Ball Creek it appears by your plat, the Western side, I guess, of Ball Creek?

LESLIE K. ARRINGTON: Yes, it is.

BENNY WAMPLER: Any questions from members of the Board?

MASON BRENT: Do you know what that structure is in the lower left hand corner of the drilling window, or if it is a structure?

LESLIE K. ARRINGTON: No, I don't. It has been a long time since I've been in that area. This well is located on the strip bench.

MASON BRENT: What? I'm sorry.

LESLIE K. ARRINGTON: On a strip bench.

CLYDE KING: Which...this house would be how far from the well, approximately?

LESLIE K. ARRINGTON: Approximately 500 feet because the drilling off...the window offset is 300 feet.

MASON BRENT: Approaching from the north...are you approaching this well from the north?

LESLIE K. ARRINGTON: Yes, we are.

(Board members confer among themselves.)

BENNY WAMPLER: Other questions?

(No audible response.)

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

MARK SWARTZ: No.

BENNY WAMPLER: Is there a motion?

CLYDE KING: I move we approve.

BENNY WAMPLER: I have a motion. Is there a second?

MASON BRENT: I second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. The next item is a petition from Pocahontas Gas Partnership for pooling of a coalbed methane unit under the Oakwood Coalbed Methane Gas Field I order identified as FF-34. This is docket number VGOB-02-06/18-1033. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

(Mr. Arrington distributes exhibits.)

(Paul Richardson and Mark Tuggle approach.)

BENNY WAMPLER: Good morning. This is like going back to school, isn't it? The seats won't move. They just

swivel.

PAUL RICHARDSON: It has been a long time.

BENNY WAMPLER: If you will state your names for the record.

PAUL RICHARDSON: Paul Richardson.

MARK TUGGLE: Mark Tuggle. I'm representing Ruby Lawson, Dolly Belcher and Doris Dye. I'm Dolly's son and the other two's nephew.

BENNY WAMPLER: Okay. State your name.

MARK SWARTZ: Mark Swartz and Les Arrington on behalf of the applicant, Pocahontas Gas Partnership.

BENNY WAMPLER: Okay. What we do is we let them present their case and we'll give you an opportunity to ask questions or make statements, okay. Mr. Swartz, you may proceed.

(Leslie K. Arrington hands out exhibits.)

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. WAMPLER:

Q. Les, I'm going to remind you that you're still under oath, okay.

A. Yes.

Q. You need to state your name, again.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas.

Q. Who is the applicant with regard to this pooling application?

A. Pocahontas Gas Partnership.

Q. Okay. Did you either prepare yourself, or cause to be prepared under your direction, the application, the notice of hearing and the related exhibits?

A. Yes, I have.

Q. Okay. And have you signed both the notice of hearing and the application?

A. Yes, I have.

Q. This pertains to an Oakwood I unit?

A. Yes.

Q. And it's...it's a larger unit than we typically see. It's 89.46 acres, right?

A. That's correct.

Q. What's the reason for that?

A. It's the makeup unit in the end of the Oakwood Field.

Q. Okay. And to remind everybody, the makeup

units make up for the curvature of the earth, right?

A. Basically.

Q. Okay. This is an Oakwood I unit?

A. Yes, it is.

Q. So, we're talk...we're talking about a frac well?

A. Yes, we are.

Q. And if we look at the plat, have you shown the location of that well?

A. Yes, we have.

Q. And it's in the...within the drilling window?

A. Yes, it is.

Q. So, you don't need a location exception?

A. That's correct. It's near two dwellings shown on that plat map. If you'll notice Tract 1L...I think it's 1L. It always confuses me. We have purchased that tract and those two buildings will be taken down.

Q. Okay. So, you've gone out, you meaning the applicant, correct?

A. Yes.

Q. And actually purchased the surface on which you've...your well is going to be located?

A. Yes, it is.

Q. The...you filed some amended or revised exhibits today, correct?

A. Yes, we did. The reason for those amended exhibits are for the purchase of that tract.

Q. Okay.

A. It was in a...you'll notice, I believe, additional 24% interest that we've acquired there.

Q. Okay. In addition to the surface?

A. I believe that's correct, yes.

Q. So, B-3 then is seeking dismissal of folks listed there?

A. That's correct.

Q. The list of respondents in Exhibit B-3 would change accordingly?

A. Yes, it did.

Q. The same situation for Exhibit E?

A. Yes.

Q. And then because you're pooling, Les, because you've acquired more Exhibit A, page two has also changed?

A. That's correct.

Q. All right.

BENNY WAMPLER: Will the Tract ID sheet change?

MARK SWARTZ: There's a revised Tract ID page that you got this morning. I don't know if it's...well, it's listed in here. But, I guess, maybe we don't have it.

LESLIE K. ARRINGTON: Let me look.

MARK SWARTZ: Oh, there it is.

BENNY WAMPLER: Where did you find it?

MARK SWARTZ: It's a little further---.

BENNY WAMPLER: Okay.

MARK SWARTZ: ---along.

BENNY WAMPLER: Okay.

MARK SWARTZ: It's a trick. I had the same problem.

BENNY WAMPLER: It worked for me.

MARK SWARTZ: I had the same problem.

LESLIE K. ARRINGTON: It does have...1L and is listed, I'm sorry.

MARK SWARTZ: Okay.

MARK SWARTZ: And if you look at two of two, Mr. Arrington has pointed out that 1L has been modified to show that Pocahontas Gas Partnership has, in fact, acquired the surface in the oil and gas interest on the tract where the well is located.

MARK TUGGLE: That is...belongs to---.

BENNY WAMPLER: Have you given him...do you have a copy?

MARK SWARTZ: I gave one copy to them. I don't know if we've got an extra...here's an extra. Now, they each have one.

BENNY WAMPLER: Thank you.

Q. Mr. Arrington, is Pocahontas Gas Partnership a Virginia General Partnership?

A. Yes, it is.

Q. And who are it's two partners?

A. Consolidation Coal Company and Consol Energy.

Q. Is Pocahontas Gas Partnership authorized to do business in the Commonwealth?

A. Yes, it is.

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

A. Yes, it does.

Q. In this application who was...that Pocahontas Gas Partnership is requesting be designated as operator?

A. Pocahontas Gas Partnership

Q. Okay. Have you listed the names of the persons that you are seeking to pool in the revised Exhibit B-3...I'm sorry, Revised Exhibit-3?

A. Yes, we have.

Q. Okay. Have you listed the folks that you would ask the Board to dismiss today in Exhibit B-2?

A. Yes.

Q. Okay. Turning to the revised Exhibit A, page two, would you tell the Board...describe to the Board the interest that you've acquired and the interest that you're seeking to pool?

A. Yes. We have 100% of the coal...coal owner's coalbed methane interest leased and we have 36.0051% of the oil and gas owner's coalbed methane interest leased. We're seeking to pool 63.9949% of the oil and gas owner's coalbed methane interest and we have a 100% of the coal leased beneath this unit.

Q. Okay. What did you do to notify the folks that you're seeking to pool of this hearing?

A. We mailed by certified mail/return receipt requested on May the 17th of 2002. We published in the Bluefield Daily Telegraph on May the 22nd of 2002.

Q. And have you filed with the Board this

morning information to verify mailing and publication?

A. Yes, we have.

Q. When you published, what did you publish?

A. We published the notice of hearing and the location map.

Q. What lease terms would you offer to the folks that are still...whose interest are still outstanding as of today?

A. Yes. A dollar per acre per year for a coalbed methane lease with a five year paid up term as a rental and a one-eighth royalty.

Q. One-eighth royalty?

A. Yes.

Q. And would you recommend those terms to the Board to be included in any order that might be entered with regard to folks who might ultimately be deemed to have been leased?

A. Yes, we would.

Q. Have you also given the Board this morning a memorandum from one of your land folks with regard to efforts to lease at least three of the parties?

A. Yes, we have.

Q. And that document...who is that mail from?

A. Jim Hamblen.

Q. And what does he do?

A. He's one of our land agents.

Q. And did you ask him to summarize his contact so that the Board would have some understanding of due diligence efforts in terms of leasing at least with regard to these three folks that you have gotten?

A. Yes. I requested this after the fact of an informal fact finding hearing that we had with Mr. Wilson.

Q. Okay. There was...there was an objection to the well permit, correct?

A. Yes, it was.

Q. And we had a hearing on that, right?

A. Yes.

Q. And we've got a decision on it?

A. Yes, we do.

Q. Now, this particular unit is...this unit is under Oakwood I unit?

A. Yes, it is.

Q. And as we've mentioned before, it's a makeup unit. So, it's a little larger and the acreage is depicted on...or stated on the plat.

A. Yes, it is.

Q. And I take then that you're seeking to produce coalbed methane from the Tiller on down---?

A. Yes, sir.

Q. ---to the Red and Green Shells?

A. That's correct.

Q. We're talking about one well?

A. Yes.

Q. What's the status? Is it already drilled, permitted?

A. No. I'm not sure...I don't think it has been issued at this date. Its estimated depth is 2390 feet with an estimated cost of $201,164.80.

Q. But there's a permit application on file, right?

A. Yes, it is.

Q. We had a...an informal fact finding conference and Mr. Wilson has issued his decision, correct?

A. That's correct.

Q. And the permit, as we understand, has been processed?

A. That's correct.

Q. If we look at revised Exhibit B-3 for a moment, turn to that, there is a column...the far right hand

column that says interest in unit, right?

A. That's correct.

Q. How is that calculated?

A. That's the total acreage in unit divided into the number of acres each individual tract has within that unit.

Q. So, for Ruby Ball Larcen in Tract ID, just to get an example, you divided 13.26 acres, which is the amount of the tract that she has interest in that's in the unit?

A. That's correct.

Q. You divided that by 89---?

A. .46?

Q. ---.46, right?

A. Yes.

Q. And that should yield the 14.8223%, correct?

A. That's correct.

Q. In terms of royalty or production, what would her share of the royalty interest in the production be?

A. It would be 14% of the total times one-eighth.

Q. So, the 14.8223% times 12 1/2% and that would be her share?

A. Yes.

Q. If she wanted to participate in the unit, how would she figure out the amount of the check that should need to write to become a partner in the well?

A. Multiple the 201,164 by 14.8223%.

Q. Okay. And if she was carried, the same kind of calculation would apply to the 300% multiple, right?

A. Yes.

Q. And that analysis of royalty, participation and so forth of the interest in the unit percentage would be true for the rest of the respondents?

A. Correct.

Q. And they're all figured out the same way?

A. That's correct.

Q. Is there a need in this unit to escrow?

A. Yes, it is.

Q. And you've got a revised Exhibit E, correct?

A. That's correct.

Q. In looking at that, what are the reasons why escrow is required?

A. Conflicting claims...conflicting claims.

Q. That would be the only reason?

A. Yes, it is.

Q. So, that means that there...in the tracts that are identified Exhibit E, one party owns the coal and another party oil and gas, and that's the conflict?

A. Yes, it is.

Q. Is it your opinion that the plan of development of this Oakwood unit as disclosed in the application and the exhibits that we've tendered, is a reasonable plan to develop coalbed methane under this unit for the benefit of all of the owners and claimants?

A. Yes, it is.

Q. And will pooling of this unit protect the correlative rights of all the owners and/or claimants so that they will either be immediately paid or their funds will be escrowed so that their claims will be protected and ultimately be payable when title is resolved?

A. Yes, it will.

MARK SWARTZ: That's all I have, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

MASON BRENT: Just to clear up the record, I believe Mr. Swartz, when you were talking about tract identifications, you indicated that you had changed 1L. It's really 1I on there.

LESLIE K. ARRINGTON: Right. It's always confusing.

MARK SWARTZ: It is I. You're right. Sorry. You need to put a dot over a small letter there. It's no wonder.

BENNY WAMPLER: Any other questions?

MAX LEWIS: Now, what was the reason that you made this an 89 acre unit?

MARK SWARTZ: It's a...it's at the edge of the field and the field so big that because of the curvature of the earth, we started with a size and we put 80 acres in it. When we matched up at the edge, the 80 acres didn't cover it. So, we would have had a little bitty unit or made a bigger unit. So, when the field was originally created, these were 89 acre units.

MAX LEWIS: They will be 89 acre units?

MARK SWARTZ: No.

MAX LEWIS: Just that one?

MARK SWARTZ: Just that row. The last row.

MAX LEWIS: Row.

MARK SWARTZ: What happened was...maybe I didn't say that. We started with a rectangle and then we put 80 acre units inside of it and when we did that, it didn't work out at the end. So, most of the units in the Oakwood Field

on the perimeter are different sizes than the 80 acres. This happens to be one of those rows.

MASON BRENT: You can see that on Exhibit A-1 here.

LESLIE K. ARRINGTON: Yes.

MARK SWARTZ: When the Board entered its order creating the Oakwood Field, this unit ten years ago was this size.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Okay, you folks can---.

MARK TUGGLE: Okay. Like I said, I represent Ruby---.

BENNY WAMPLER: Excuse me just one second.

BOB WILSON: We need to swear the witnesses.

BENNY WAMPLER: Yeah, we need to do that.

(Mark Tuggle and Paul Richardson are duly sworn.)

MARK TUGGLE: I represent Dolly Ball, my mother, Ruby Lawson, and Doris Dye, my aunt. We control 1L, 1H, 1G, 1D. And this is Paul Richardson. He represents 1E. We control together over 60% of this grid.

The royalty rates that Consolidation Coal Company has offered, basically they offered us $50 an acre for all

the gas. That is coalbed methane and deep gas knowing good and well that the gas price is worth considerably more. We asked for more money, which they refused. They said, "well, we're going to take your gas anyway." That was what was told to us. That's what made us actually fight this well.

We petitioned the Board to...since they didn't own a controlling interest in this grid, we petitioned the Board to revoke their...refuse the permit. They declined. They still issued the permit. But we are over 60% ownership of this as represented here right now. There's no place on earth, in the United States, let's put it that way, that 34...36% ownership can control a grid, saying that we're going to force you to sell out. That's not...that's not the democratic way anywhere. You're controlled by the majority. The majority says that if they want to offer us some more money, we will negotiate with them. But as to the point, we even made an offer at the permit hearing. They said, no, that's too much. We refuse. No. Twenty dollars an acre is not...nothing to compare...right on their front page, it says right there that there's between 125 and 150 MM cubic feet of methane located on this property. That's several million dollars worth of gas. Now, they've admitted that in their

own paperwork. So, what is $20 an acre to them and then they just basically they say we're going to take your gas no matter what with 36% control. At the time, they didn't even have that. At the time they had...they didn't even have the Hubert Wilson or Glen Wilson control. But still a permit was issued. We did make an offer to them. According to Jim Hamblen, he didn't write everything in here that we proposed to him. He's just putting down what best contributes to the Pocahontas Gas Partnership saying that yes, we've tried to make attempt, after attempt, after attempt. Well, if you go to a Chevrolet dealership and you say I'll give you $20 for that Z-71 four wheel drive and they say, no, you're crazy, get out of here. If you come back with the money, they will give it to you. And that's exactly what we have here. They're offering us one dollar per acre for our gas up front or we're going to take it from you. That's what they're presenting to you is their saying that we own 36%...we control 36% and we should be allowed to go ahead and take their gas and put it an escrow fund that these people may or may not get in the future because it depends on legislation if in twenty to fifty to a hundred years. Who knows when this is actually going to become a law, you know, that says that this gas belongs...you know, the coalbed methane belongs

to the coal owner or it belongs to the gas owner. And according to their paperwork, it says that we are the gas owners. So, they are admitting that we are the gas owners on this property and by controlling 60% of this well, I feel that they shouldn't be allowed to force pool this.

They should be made to come back to the table and give us an offer or meet our offer. That wasn't a lot of money, you know, to begin with considering what they're going to make off of this. If someone is going to put $218,000 into a well, you can doggone better believe that they're going to make considerably ten-fold that or twenty-fold that.

So, I don't think that a thousand to fourteen hundred dollars up front now is going to hurt them at all. We made that offer to them before. But as arrogant as PGP is in dealing with everything in Buchanan County coming through ...they're starting in Tazewell and Russell Counties now, that's the method they've taken. Either you sign it over to us now or we will take it. We don't feel that that's right as being citizens...as being the owners given that in our property and that's what we're here to fight today. We're saying, you know, as 60% ownership, they shouldn't be allowed to force pool this property. That they should be made to come back to the table and say, okay, you have a reasonable

term. This is going to keep us out of Court, which gets them $10,000 or $15,000 down the run or maybe even $40,000 to $50,000 depending on what kind of a jury we get. But their approach is, and this is the way they've taken it throughout the entire coalfields, Garden Creek, everything coming our way. You know, if they fight us and we lose to you, then basically what happens is the next guy, he doesn't even want to fight them any more. That just gives them more power and more steam to keep approaching us. But we're just asking that they come back to the table with a reasonable amount of money and we agree to lease to Pocahontas 3 for $20 per acre, which is nothing compared to what they're saying that this well is going to produce.

So, what we're asking for is that they not be allowed to force pool this; that they come back to the table on us and they actually negotiate with us. I don't think that that's unreasonable. Like I said, in any business in the United States, even elections, unless you have 51% control, you cannot tell anybody what to do, unless this is basically Communist manifesto that they're presenting here saying, you know, we own a percentage and we're going to take it. That's basically what it sounds like. That's basically all I have to say.

BENNY WAMPLER: Mr. Richardson?

PAUL RICHARDSON: I have a different situation. Up until June the 4th, if you'll check it, in the May letter that they sent out I only had 5.53 acres...5 acres and 5300. Then after June the 4th, I got a letter from Jim Hamblen that I had a 24 acres. Then they offered $50 an acre for ten years and then it would be $1,225.

I feel like him, if we get a reasonable offer, you know, because like he said, they've been threatening we'll take it. See, I didn't get in on this until really in June. So, I'm just here to see what happens.

BENNY WAMPLER: I'm trying to find your 24 acres.

PAUL RICHARDSON: Huh? You might not have it, because how I got it is a lease that they sent me offering up $5 an acre in the amount of $1200...1,225 and then 12.5 that all the cost would come out of it processing that gas. I don't know whether you got that or not. I've got it here if you want to look at it.

BENNY WAMPLER: It must cover...do you want to explain?

MARK SWARTZ: It's a lease.

BENNY WAMPLER: For all of his acreage---?

MARK SWARTZ: Right.

BENNY WAMPLER: ---that you would affect and not just for this---?

MARK SWARTZ: Right. Right. That's the difference.

BENNY WAMPLER: Do you understand what we're saying? In other words, you've got 5.53 acres in this area that we're hearing today.

PAUL RICHARDSON: Yeah.

BENNY WAMPLER: They're looking at your total acreage that they're talking about affecting at some point.

PAUL RICHARDSON: The gas on 24 and ½ acres?

BENNY WAMPLER: Right. Which is not on---.

PAUL RICHARDSON: Not in this here---?

BENNY WAMPLER: That's right. Some of it is, but not all of it. I was just getting that clarified. Ms. Riggs, do you want to address the legal question that has been raised?

SANDRA RIGGS: I think the legal question was what the Virginia Gas and Oil Act provides with respect to what percentage interest the applicant has to hold in order to come before the Board for a compulsory pooling, whether it's a 50% majority. That's controlled under Section 45.1-361.21(A) or (C-3). I'll read that section to you. It says,

"That the Board shall designate a gas or oil owner who is authorized to drill and operate the well provided, however, that except in the case of coalbed methane wells the designated operator must have a right to conduct operations or have the written consent of owners with the right to conduct operations on at least 25% of the acreage included in the unit." So, for conventional wells, the threshold is 25%. "Any owner within the unit can come to the Board to seek pooling and to be designated as the operator of that unit in conventional if they have at least 25%. For coalbed methane there is no threshold. Any owner can come before the Board and seek compulsory pooling." So, the statutory rule is not a majority rule in Virginia. It's the one I just read to you.

BENNY WAMPLER: So, there's no percent...they don't have to have a percentage.

SANDRA RIGGS: They just have to be an owner within the unit.

BENNY WAMPLER: And then---.

MARK TUGGLE: Well, I guess, it's according to your morals, then the majority rules.

BENNY WAMPLER: Well, then what kicks in is the protection that you have on your percentage for the...

Virginia is a statute that enables the development, encourages the development of the gas. It's a statute then that protects you through the pooling of those owners. It doesn't prevent it through the pooling. You'd have...you know, to prevent it, you're talking Court. Involvement with leases, we don't...we don't handle that. That's property rights that the Board is not empowered by the law to handle. Ms. Riggs can verify that as our attorney. But the protection comes through the pooling and the money going to into escrow. We understand, you know, a lot of people don't like that part because of the uncertainty of knowing the term of when you get that money out. Some people are coming before the Board and getting an agreement with the coal owner and splitting 50/50. We're...the Board has no position on that. Here, again, that's a private agreement that people do. But, you know, we're trying to make sure we're in compliance with what the law and regulations allow. The protection does come through the pooling. It doesn't stop the development. You know, nothing in the law stops the development, but it does protect the interest by pooling all the money based on the percentage.

SANDRA RIGGS: I think the other thing that I heard you say was you disagree with the financial terms. And when

an operator or an applicant comes before the Board, the Board enters a pooling order that offers the owners within the unit three options. Are you familiar with the Board orders and what...and how those options work?

MARK TUGGLE: No.

SANDRA RIGGS: Well, the first one is that from the time of entry of the order, pooled parties have thirty days, I think it is, to make an election to decide which way they want to go. The first one is if you want to be a royalty, a lease roy...deemed to lease to leased royalty, you get a dollar per acre up front bonus and that's per year until they drill the well and the pooling application is good for two years. They've got two years in the permit to drill the well. So, that's the...sort of to hold the lease until they get the well drilled.

Then once the well is drilled and starts producing, you get a one-eighth royalty off of the production. So, once they produce it, the value of that gas is determined by the market rate and then you get your one-eighth royalty based on your percentage ownership within the unit; however, the market fluxuates. So, if gas is going up, the price they're selling for is going up, therefore, the production value is higher and the one-eight of that goes up. So, that one-

eighth royalty fluxuates with the market.

The other option is you can become their partner by paying your proportionate share of the cost of drilling this well. If you want to have a working interest in the well, you can take your percentage interest in the drilling unit, multiply that by the cost of the well and pay that in and be a full working partner with them entitled to seven-eighths of the production.

The other thing you can do is be a carried operator. If you don't want to put any money up front, you still get a working interest. But there's a penalty to that because you have no money at risk. They get to recover 200% of their cost of the well before you start getting your seven-eighths interest. So, when Mr. Wampler says that the pooling order protects the parties, the way that's done is by offering you terms other than what they've offered you. You'll get those three options by law; either to be leased and get your one-eighth royalty; to be a participant in the working interest of seven-eighths of all of the production off of this well of your percent interest by handing over your share of the cost of being a partner and that's your percentage interest in the cost of drilling the well, or to be carried. If you don't want to put up money, you've got to

wait longer and figure out what that financial calculation would be because they do get to recover twice their up front cost before you start participating.

But those are all spelled out in the law as to what a pooling order contains. Once the order is entered, every pooled party has at least thirty days to make a decision about which way they want to go.

MARK TUGGLE: But that's still...even though we are pooled, even though we are a partner, the money is not going to be distributed until basically this comes to---.

SANDRA RIGGS: You can show your ownership. That's exactly right. And that's because---.

MARK TUGGLE: And that could be a hundred years from now before it's ever taken to the State Assembly---.

SANDRA RIGGS: Well---.

MARK TUGGLE: ---or before anything could happen.

SANDRA RIGGS: That won't be decided by the General Assembly. That will be decided in the courts.

BENNY WAMPLER: Courts.

SANDRA RIGGS: That's a property dispute that has to be resolved by the court system and not by the General Assembly. That's why the General Assembly said we can't solve that problem. All we can do is provide a mechanism

where the gas can be produced until these parties go into court and get clear title to their property.

So, there is no magic fix at the General Assembly that's just going to solve everybody's issue and allow this money to come out of escrow. It's going to be a case by case resolution of the various conflicting claims.

MARK TUGGLE: So, unless we take the case personally to court and we have...we'll never see it.

SANDRA RIGGS: Well, there are cases pending. There a couple of cases pending. But there are no decisions in Virginia as to ownership of coalbed methane gas.

What we've seen here as a Board is the coal owner gets together with the gas and oil owner and they say we don't want our money tied up forever and we don't want to go through litigation. So, we're just going to enter into a split agreement. Most of the agreements that have come before the Board have been a 50/50 split where the gas and coal just agreed to split the money 50/50.

At that point, that agreement is presented to the Board, the Board enters an order saying you don't need to escrow any more. Go on and pay out in accordance with the settlement.

BENNY WAMPLER: And then what we do is the money

that's in escrow at that time is paid out. We order the escrow agent to pay that out and then from then on the company would pay the proportionate share to the owners correctly rather than escrow.

SANDRA RIGGS: And that would be---.

MARK TUGGLE: (Inaudible).

SANDRA RIGGS: ---regardless of which option you're electing.

MARK TUGGLE: We are the gas owners. So---.

SANDRA RIGGS: Well, the coalbed methane.

BENNY WAMPLER: The conflict is the coal owner and the gas owner. Here the coal owner...you have coal owners being pooled as well here, and that's the conflict.

SANDRA RIGGS: As to who owns the coalbed methane gas, whether it's coal or gas.

PAUL RICHARDSON: In other words, they're saying they might own it?

SANDRA RIGGS: If...if you own both---.

BENNY WAMPLER: That's right.

SANDRA RIGGS: ---the coal and the gas, there would be no escrow.

BENNY WAMPLER: There's no escrow.

SANDRA RIGGS: It would get paid out. It's only in

a situation where there has been a severance between the coal and the gas and that's held in two different parties that escrow is required.

PAUL RICHARDSON: So, what should we do, just sit back?

SANDRA RIGGS: Well, the other option, and the purpose for this hearing, is to present to testimony as to value so that the Board can establish the terms of the pooling. I mean, that's why we're having a hearing is to hear from both sides of the party and for this Board to make a decision with respect to what the terms of the participation or pooling would be.

MARK TUGGLE: Well, back to our...we agree to lease it to them prior, but if it's goes through pooling, then we want, I guess, the full dollar amount that...market value that it's going to be.

SANDRA RIGGS: Well, that would depend upon the election you make.

BENNY WAMPLER: See, after...after today's hearing, if the Board approves this pooling to go forward, then an order will be entered. They will mail you a copy of that order. You will have an election...those election options that Ms. Riggs just described to you. You'll have thirty

days to make that decision. If...you know, if you don't make any decision, then you're deemed to have leased by that and that money would be paid into escrow.

SANDRA RIGGS: And that would be the one-eighth royalty option that we talked about, which would be tied to market value of the gas.

MARK SWARTZ: Well, you need to tell them they're always going to get a royalty no matter what, which, you know, put out as an election. But if they're determined ultimately to be the owner, they're always going to get a royalty. The question is whether or not they want to participate in the ownership of the well.

SANDRA RIGGS: Right.

MARK SWARTZ: That's really the option. I mean, you know, it's stated as an election. But this Board will always provide for a royalty to persons who are ultimately determined to own this gas. That will never...I mean, you guys always enter that kind of an order.

The question really is do you want to participate---.

SANDRA RIGGS: Participate.

MARK SWARTZ: ---as a partner in the well because you feel that it's economically desirable to do that. This

Board will force Pocahontas Gas Partnership to take anyone who wants to be a partner, you know, regardless of what their other preference might be. So, I mean, it's a two way street here. You know, you're forced to give up your royalty interest but Pocahontas Gas Partnership would be forced to give up a working interest share as well. I mean, it is a two way street.

The other observation I would make, you know, trust me, the coal owners feel just as strongly, you know, that they have something coming here. You know, we've obtained leases from the coal here and have paid them bonuses. So, if they're ultimately determined to be the owner, we're going to have an agreement with them. So, there is another side to the claim here. They're certainly in favor of the development.

MARK TUGGLE: So, if I come and build a house on your front yard and I charge rent before you get a penny out of it, you have to pay 10% or a percentage of the house cost before you can recoup rent. Does that sound fair?

MARK SWARTZ: The reason we're in court is so that we're not trespassing or the reason we're before this Board is so that we're not trespassing. I mean, you have notice of this hearing. You have an opportunity to participate.

You're going to have an opportunity to review the order, to appeal the order to the Circuit Court if you want to do that. There is a big difference between going on somebody's property without following the law and doing what we're doing.

I mean, there's a mechanism in this State...the legislature made a decision that it wanted coalbed methane developed rather than polluting. And...you know, they made that decision twelve years ago. That's where this law is coming from. There's a big difference between just going on somebody's property and doing something or following the legal mechanism to undertake an activity. That's my answer to your question is that's the difference.

BENNY WAMPLER: It is an enabling statute. It's a statute that promotes the development of gas. We understand, you know, a lot of folks have a lot of concern. The Board has heard a lot of concern with people about putting money into escrow and being force pooled. It's the law in Virginia. It's not only the law in Virginia, in fact, it's a law that the Federal Government has adopted. If the States don't do it, then the Federal Government provides it if the States refuse to do it.

MARK TUGGLE: Kentucky is 51% ownership.

BENNY WAMPLER: I don't know about Kentucky.

MARK TUGGLE: Several surrounding states is also 51% ownership. This is the only State that will allow less than 51%. If you look at who actually promoted the gas laws that was signed into law to the General Assembly, there's your authors. You can look at the history. It's on file. It is Consolidation Coal Company.

All we're asking is that you protect, that you make them come back to the bargaining and negotiate a price since we do own it. I understand your point of view.

BENNY WAMPLER: We just don't have the legal authority to do that. That's a private---.

MASON BRENT: Mr. Chairman, I wonder if it would be helpful if we could get Ms. Riggs to either cite or paraphrase the statute, wherein, it limits the issues to which we can deal with.

SANDRA RIGGS: The pooling provisions are set forth in 45.1-361.21 and 45.1-361.22.

BENNY WAMPLER: (Inaudible).

SANDRA RIGGS: Is that for pooling or the broad authority of the Board?

BENNY WAMPLER: He's looking for the authority of the Board.

MASON BRENT: Yes. The Board's authority.

SANDRA RIGGS: Okay. The general powers and duties?

MASON BRENT: Yes.

CLYDE KING: Right.

SANDRA RIGGS: "The Board is to hold a monthly meeting at a time and place designated by the Chairman. At each meeting," let's see, "notification and cancellation shall be given at least five days in advance. Four members constitute a quorum. All determinations are by majority vote. The Board shall the powers necessary to execute and carry out all its duties specified in this chapter. Investigate and inspect records and facilities as are necessary to perform its duties and employ such personnel and consultants necessary to perform the duties." Then going on in additional duties and responsibilities, "The Board shall foster, encourage and promote the safe and efficient exploration for and development, production and conservation of gas and oil resources of the Commonwealth. Administer a method of gas and oil conservation for the purpose of maximizing exploration, development, production and the utilization of gas and oil. Administer procedures for the

recognition and protection of the rights of gas and oil owners with interest in gas and oil resources contained within a pool. Promote the maximum production and recovery of coal without substantially affecting the right of gas owners proposing a gas well to explore and produce gas. Hear and decide appeals of Director's permitting decisions," which is the informal conference you went to on the permit. If that were appealed the Board would hear that appeal. "And without limiting its general authority, the Board shall the specific authority to issue rules and regulations or orders pursuant to the administrative process act to prevent waste through the design, spacing unitization of wells, pools or fields, protect correlative rights, interspacing and pooling orders, establish drilling units, establish maximum allowable production rates for the prevention of waste and for the protection of correlative rights, provide for the maximum recovering of coal, classify pools and wells as gas and oil or coalbed methane gas, collect data, make investigations and inspection, examine property, leases, papers, books and records and require or provide for the keeping of records in the making of reports, set application fees, govern practices and procedures before the Board, require additional data from parties in any hearing and take such actions as reasonably

necessary to carry out the provisions of the chapter."

MASON BRENT: So, nowhere in there are we authorized as a Board to compel anyone to come back to the bargaining table. We just...we can't do it. We're powerless to do that.

SANDRA RIGGS: Well, under 45.1-261.21, it says, "The Board upon application from any gas or oil owner shall enter an order pooling all interest in the drilling unit when the tests are met." It's a mandatory...if they meet the requirements of statute, the Board is mandated to issue a pooling order.

BENNY WAMPLER: So, basically what we're doing is making sure the best we can with the help the citizens that we're getting the record straight, that we have the proper percentages of interest in the unit and those kinds of things, addresses, all the people identified, etc., making sure people have been noticed or whatever. You know, respecting your concerns and your rights, you know, with that, we just don't have the authority to order them to come back to you. If there's questions on the percentage of interest of the amount of acreage or anything like that, that's certainly within our power to get those adjusted.

BENNY WAMPLER: Does the Board have any questions?

CLYDE KING: Do the people you represent own 80.50 acres of the 89.46?

MARK TUGGLE: No, we're a combined total of 60.

(Board confers among themselves.)

MARK TUGGLE: That's counting Paul Richardson in. Altogether ours is 54. something percent.

BENNY WAMPLER: He's five.

PAUL RICHARDSON: See actually it is 5...24 acres. There's three of us own it. Myself, I've got a brother and a sister-in-law. We own the...we have 47 acre...we have another piece of property that joins this here 24, which they want a roadway across it. So---.

(Board confers among themselves.)

PAUL RICHARDSON: That's the only thing I knew about until in June...well, in May, when they started sending these certified letters. We weren't supposed to have no gas at all. They just want this roadway across this other property.

BENNY WAMPLER: Your brother and sister, they're listed in here appropriately.

PAUL RICHARDSON: They're not on this letter. But in Lebanon, in the Courthouse, it is.

BENNY WAMPLER: Okay. In a different tract, okay.

All right.

PAUL RICHARDSON: In case you come up with that later on.

BENNY WAMPLER: Right. Okay.

(Board members confer among themselves.)

BENNY WAMPLER: You do understand though what we were talking about---?

PAUL RICHARDSON: Uh-huh.

BENNY WAMPLER: ---the protection I was talking about under the pooling? Even though I understand, you're saying you can't get out and I understand that. I mean, but if you can get---.

MARK TUGGLE: And it may be give back to them in the future. I mean, we may never see a cent of it is the problem and no one else in the pooling process may ever see one red cent of this entire pooling money anywhere.

BENNY WAMPLER: I don't know how legally it could ever go back to them. I mean, there are attorneys here who could address that. But I don't think---.

SANDRA RIGGS: It will never go back.

BENNY WAMPLER: ---that any body of law would ever change it to where your property interest, which is your property interest now unless you sell it will always be your

property interest. It can't just be given to somebody. But what it is doing, as they sell that, that money goes into this escrow and that escrow continues to earn interest during that period of time and they continue to pay into it and we do have...we have had...we've paid out over a million dollars in the last twelve to fourteen months where people have come in to the Board and had an agreement. Both parties come in and say we have an agreement. We have the coal owner and the gas owner here and we authorize that. Then from that day forward the gas company, whether it's Consol or whoever, which ever gas company it is, PGP or any of the gas companies operating in Virginia, then they would from that day forward pay that royalty interest directly to you.

MARK TUGGLE: So, if we come up with an agreement with Swords Creek Coal Company, then it would be paid immediately to us?

BENNY WAMPLER: Whoever the coal owners are.

PAUL RICHARDSON: That's who it is.

BENNY WAMPLER: I don't know...you know, that's listed in here. Yes, that's the way that would work. And that is if you're leasing or deemed to be leased. If you're participating, if you buying into the well, then, of course, you know, that's a whole different matter. But those terms

will come out in the form of an order subject to the Board's approval here today.

SANDRA RIGGS: Swords Creek is who they show as the coal owner.

MARK TUGGLE: Yes.

BENNY WAMPLER: So, I hope that's made some sense to you from that standpoint of our authorities and what we can do. None of that takes away any of your rights outside---.

MARK TUGGLE: Right. This is just a stepping stone to a civil case is all. We had to follow the hoops, too.

BENNY WAMPLER: I understand that. To your knowledge, are the other part of the record dealing with the folks you're representing correct as far as the acreage is concerned?

MARK TUGGLE: Well, actually, according to the map, it is correct. But according to their field representatives, they're incorrect. There's actually...if you'll look on... where the dividing line runs down section 1I, you'll see our mill house down in the very bottom down next to 1C, down next to the highway. That is where the property line runs. It actually follows the creek. Now, they're claiming another 100 feet of ownership since they bought this property 1I off

of the Wilsons, and that's not right. As a matter of a fact, they told us, you know, we can't do anything to our own property, well house road, access or anything. They're basically wanting to start using the access road that has been there that my grandfather and great grandfather hand dug that road. Basically, they are just trying to take it. But the actual line does run right down that creek where their map is showing. We agree with...we agree with this property map in this.

BENNY WAMPLER: Okay. And the information that's contained in the supplement?

MARK TUGGLE: Yes. But what they're actually telling us in the field is incorrect.

BENNY WAMPLER: Well, this is what we'll...is part of the record.

MARK TUGGLE: Right.

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

(No audible response.)

BENNY WAMPLER: Do you gentleman have anything further?

PAUL RICHARDSON: No.

BENNY WAMPLER: Mr. Swartz?

MARK SWARTZ: Nothing further.

BENNY WAMPLER: Is there a motion?

MASON BRENT: Mr. Chairman, based on the consideration of the issues that I think we're authorized to deal with, I recommend that we approve the application.

BENNY WAMPLER: Is there a second?

CLYDE KING: May I ask a question, Mr. Chairman?

BENNY WAMPLER: Sure.

CLYDE KING: If we approve, when would this be in production?

LESLIE K. ARRINGTON: Near this well, it would probably be six to eight months maybe.

CLYDE KING: Six or eight months, which means it would be producing and there would be money in escrow in six to eight months?

LESLIE K. ARRINGTON: Uh-huh.

MAX LEWIS: Does any of the pipeline run on their property?

LESLIE K. ARRINGTON: No, sir. No activities are planned on---.

MAX LEWIS: No meter houses?

LESLIE K. ARRINGTON: No, sir.

MAX LEWIS: Just the well itself?

LESLIE K. ARRINGTON: The well itself is not located...none of our facilities, the well site, the pipeline, roads, nothing will be located on it other than Mr. Richardson spoke about another access road he's speaking to, not for this well location. But none of the facilities for this FF-34 will be located on any of their property. The well site itself is located on a piece of the surface oil and gas that we have purchased.

PAUL RICHARDSON: So, you figuring---.

MAX LEWIS: But it's on their mineral?

LESLIE K. ARRINGTON: No, sir. The oil and gas ...their oil and gas---.

MAX LEWIS: Gas.

LESLIE K. ARRINGTON: ---is located within the production unit.

MAX LEWIS: Yeah.

CLYDE KING: Mr. Chairman, I...under the circumstances that we operate under and the fact that it will be in production in six months or so and there will be monies available, I second the motion.

BENNY WAMPLER: Second. Any further discussion?

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

(All members signify by saying yes, but Max Lewis.)

BENNY WAMPLER: Opposed, say no.

MAX LEWIS: No.

BENNY WAMPLER: We have one no. You have approval. Thank you all.

MARK TUGGLE: Thank you.

PAUL RICHARDSON: Thank you.

BENNY WAMPLER: Do you want to take a five minute break while the other parties come forward?

(All Board members indicate affirmatively.)

BENNY WAMPLER: We'll take a five minute recess.

(Recess.)

BENNY WAMPLER: We'll go back on the record. The next item on the agenda...the next item on the agenda is a petition from Evan Energy Company, LC for a well location exception for proposed well number 743. This is docket number VGOB-02-06/18-1034. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KISER: Mr. Chairman and members of the Board, Jim Kiser on behalf of Evan Energy Company. Our witness in this matter will be Mr. Jerry Hamilton. We'd ask that he be sworn in at this time.

(Jerry Hamilton is duly sworn.)

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

JERRY HAMILTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

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

A. Jerry Hamilton, employed by Evan Energy Company, LC as Director of Environmental Safety Affairs.

Q. Now, we just recently, prior to the hearing, handed out a copy of your resume to the Board and I believe this is the first time, or at least in recent history, the first time you've testified before the Virginia Gas and Oil Board. So, if you would, go through both your educational background and your work history for them.

A. I'm a...I'm a 1972 graduate of Pound High School. I'm a 1976 graduate of Emory & Henry College with a degree in environmental biology. Since May of '76, I have been employed in various phases of coal mining, reclamation, restoration, permitting, starting with the Virginia Department of Conservation and Economic Development through the Division of Mine, Land and Reclamation leading into general manager of Mining Engineering Services in Pound,

Virginia and then on to coal production and superintendent operations for various mining companies. The resume is pretty well self explanatory. My background is basically reclamation, restoration, earth moving, erosion and sediment control.

JIM KISER: Mr. Chairman, we'd ask that Mr. Hamilton be accepted as a qualified witness in this matter.

BENNY WAMPLER: He's accepted. You may proceed.

Q. Now, your responsibilities include the land involved here in the unit for well number 743 and in the surrounding area?

A. Yes.

Q. This is a actually a location that you're responsible for?

A. Yes.

Q. And you're familiar with the application that we filed seeking a location exception for well 743?

A. Yes, I am.

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

A. Yes, they have.

Q. Would you indicate for the Board the

ownership of the oil and gas underlying the unit for well number 743?

A. Miller Cove Energy is a 60% owner, Barnwell Kincaid 40% ownership.

Q. And does Evan Energy Company have the right to operate the reciprocal well, in this case, which would be Evan well 723, which lies...we're seeking an exception of about 82 feet from Evan well 723. So, you have the right to operate all the surrounding reciprocal wells?

A. Yes, we do. Yes, we do.

Q. Now, in addition to your resume, we also handed out a little synopsis that you drafted in preparation for this hearing that essentially explains the topographic, the erosion and sediment control reasons that we need to... that we're seeking this exception of 82 feet. Can you just kind of summarize that for the Board and let them know the technical reasons that we're seeking this exception?

A. The original stake location or what would be deemed as the excepted location on the 2500 foot spacing.

Q. We have only one copy of this. So, I'll go ahead and hold it up.

A. Which we can submit to the Board. The original location is about the black dot up here. That area

is on a cliff area, one of the typical Lee County, a very steep relief 42 to 48 degree slope, sandstone outcropping. Very, very narrow point. I don't want to phrase it as an environmental nightmare to create this location, but excessive amounts of overburden material would have to be placed below the location of the well. This material would probably go 200 feet plus or minus. Erosion control on the preparation of this site would be virtually impossible. The road leading to this site would average a 18 to 20% grade. Original construction would require blasting as well as material would have to be placed below a desired road grade where it would probably slide and create further erosion and sediment control problems. Long term maintenance on this site would be virtually impossible. You would be dealing with a sandstone, a coarse grain sandstone that would be very hard to vegetate. It would be so steep you could never establish an adequate vegetative cover. The request to move it is to an area where, which is a natural flat, an area shown on the map. This area is in a natural previous created high wall. It's on a natural flat area. Ample room is there with minor excavation. Erosion and sediment control on the projected site or the site under request would be very minimal, road grade of less than 10% going into this site or

overall average of less than 10%, very maintainable, very environmental friendly sat.

BENNY WAMPLER: How far are you moving that location? How far is that request to be moved?

JIM KISER: I think it's roughly...this is a legal location, the point that he has drawn on here.

BENNY WAMPLER: I understand.

JIM KISER: So, I think it's a little over 82 feet.

BENNY WAMPLER: The surface owner agrees to the movement?

JERRY HAMILTON: Yes, they do.

MAX LEWIS: Is that surface owner a private owner?

JERRY HAMILTON: No. It is...it is Millers Cove Energy and---.

JIM KISER: ARC Land.

JERRY HAMILTON: Right. And ARC Land.

MAX LEWIS: On both...both sides?

JERRY HAMILTON: On both sides, yes, sir. It's on the same...the same tract. Yes, sir. We are not taking it off of the existing tract.

MASON BRENT: Who operates MCF 3?

JERRY HAMILTON: Our company, Evan Energy.

MASON BRENT: You all?

JERRY HAMILTON: Yes. All this was based on field observation. We walked these sites prior to filing a permit with DMME to make a environmental impact assessment of what our sites will do.

Q. In the event this location were not granted ...the exception were not granted, would you project the estimated loss of reserves in this unit resulting in waste?

A. Yes. Approximately 400,000,000 cubic feet.

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

A. 6200 feet.

Q. Will this be sufficient to penetrate and test the common sources as supplied in the subject formations as listed in the permit application?

A. Yes, it will.

Q. And you're requesting that this location exception to cover conventional gas reserves to include the designated formations from the surface to the total depth drilled?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of preventing waste, protecting correlative rights and

maximizing the recovery of the gas reserves underlying the unit and the surrounding area for well number 743?

A. Yes, it would.

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

BENNY WAMPLER: I would ask, are you going to pay double in the overlap area?

JIM KISER: Yes.

JERRY HAMILTON: Yes.

JIM KISER: I asked them that yesterday.

JERRY HAMILTON: Okay.

BENNY WAMPLER: Any...just...you may have covered this, but I didn't hear precisely the Exhibit B, the listing of the companies there just the purpose of that.

JIM KISER: Just notifying all coal, oil and gas owners within the designated area. That's a list of everybody that was notified of the hearing.

BENNY WAMPLER: I saw...just one other question I have and then I'll ask the Board members---.

MAX LEWIS: Does this change the percentage of the royalties of any other owners?

JIM KISER: No. No, sir. One tract is owned 60% by one entity and 40% by another entity.

BENNY WAMPLER: You have Barnwell noticed...you have Barnwell Kincaid over here. Is that the same---?

JIM KISER: Yeah. Barnwell and Barnwell Kincaid is the...is everything other than Arc Land. Barnwell Kincaid is how he denotes Miller Cove, Darrell Barnwell, Billy Barnwell, Stephanie Barnwell and Carolyn (inaudible).

(Jerry Hamilton and Jim Kiser confer.)

JIM KISER: I think that's how they designate---.

JERRY HAMILTON: That was a plat designation.

BENNY WAMPLER: I wanted to get that clarified, the different name. It wasn't showing up there. Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything, Mr. Kiser?

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

MAX LEWIS: I make a motion we approve it.

CLYDE KING: I second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

JIM KISER: Thank you.

JERRY HAMILTON: Thank you.

BENNY WAMPLER: The next item on the agenda is a petition from Equitable Production Company for pooling of a coalbed methane unit under the Nora Coalbed Gas Field order identified as VC-505187. This is docket number VGOB-02-06/18-1035. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KISER: Mr. Chairman and members of the Board, Jim Kiser on behalf of Equitable Production Company. Our witness in this matter will be Mr. Don Hall. We'll ask that he be sworn at this time while I'm passing this out, revised Exhibit B.

(Jim Kiser distributes a revised exhibit.)

(Don Hall is duly sworn.)

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

JIM KISER: Mr. Chairman and Board members, before we get started, on this one if you'll take a look at your revised Exhibit B that I just gave you on page one. The

reason we revised it, if you'll compare to the application that's in your notebooks, we inadvertently on Tract 1 under the...well, under Tract 1 if you'll go all the way down to the one, two, three, four, five, six, seventh entry, I'm going to try to pronounce this, Novelada Kahlau, who we've force pooled numerous times in other wells, was originally identified in the exhibit to the application as a leased party and James D. Breeding, Sr. and Myrtle Breeding were identified as unleased parties. Now, since this is a coalbed methane well and we're required on those application only notice the unleased parties, we noticed Mr. Breeding and didn't notice...is it Miss or Mr. Kahlau?

DON HALL: Miss.

JIM KISER: Miss Kahlau. We discovered the mistake, I guess, about nine days ago. We sent her a notice along with a notice for another well that she's in that we're pooling next month. It's obviously not technically a correct notice. At this point, we'll just ask the Board's discretion of whether or not we can move forward or if this one needs to be continued until next month.

BENNY WAMPLER: We better continue it until next month and just do them both at one time. So, that matter will be continued to the July hearing.

The next item before the Board is a petition from Equitable Production Company for pooling of a conventional gas unit identified as V-502735, docket number VGOB-02-06/18-1036. We'd ask the parties that wish to address the Board in this matter to come forward. It's item number twelve on the Board's agenda.

JIM KISER: Jim Kiser, again, on behalf of Equitable Production Company. Mr. Hall is going to be our witness. He has previously been sworn. We are ready to move forward with this application. We do have a revised Exhibit B on this one.

(Jim Kiser distributes the revised exhibit.)

DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

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

A. My name is Don Hall. I'm employed by Equitable Production as District Landman.

Q. And do your responsibilities include the

land involved here for this unit and the surrounding area?

A. Yes, they do.

Q. Are you familiar with Equitable's application seeking the establishment of a drilling unit...pooling order EPC well number V-502735, which was dated May the 17th, 2002?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And prior to filing the application, were efforts made to contact each of the respondents listed in revised Exhibit B and an attempt to work out a voluntary lease in regard to the development of the unit?

A. Yes.

Q. What is the interest of...referring to your revised Exhibit B, what is the interest...leased interest of Equitable within the unit?

A. We have 95.95466% leased.

Q. So 95.47%?

A. Right.

Q. Okay. Are you familiar with the ownership of drilling rights of parties other than Equitable within the

drilling the unit? In other words, the unleased portion of the unit?

A. Yes.

Q. And what is that?

A. That's .0453%

Q. Or 4.53%

A. Yeah.

Q. And that's represented by Mr. Ed Jenkins and then two unknown parties?

A. That's correct.

Q. Okay. Now, are all the unleased parties set out in revised Exhibit B?

A. They are.

Q. Were reasonable and diligent efforts made and sources checked to identify and locate unknown heirs to include primary sources such as deed records, probate records, assessor's records, treasurer's records, and secondary sources such as telephone directories, city directories, family and friends?

A. Yes.

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

A. It was.

Q. Now, are the addresses set out in the revised Exhibit B to the application the last known addresses for the respondents?

A. With exception of a lease party in Tract No. 3, Margaret Bates and Clifford Bates, 108 Flat Iron Road should be 19744 Flat Iron Road.

BENNY WAMPLER: Say it again.

DON HALL: Margaret Bates, Tract No. 3, is 108 Flat Iron Road. It should be 19744 Flat Iron Road

Q. Are you requesting this Board to force pool all the unleased interest as they are listed in revised Exhibit B?

A. Yes.

Q. Now, are you familiar with the fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

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

A. A $5 bonus on a five year term and one-eighth royalty.

Q. In your opinion, do these terms you have

testified to represent the fair market value of and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

Q. Now, based on the respondents who are either unknown or have not agreed to a voluntary lease, do you recommend that they be allowed the following options with respect to their ownership interest within the unit: One, participation; two, a cash bonus of $5 per net mineral acre plus a one-eighth of eight-eighths royalty; three, in lieu of the cash bonus and one-eighth of eight-eights royalty, a share in the operation of the well on a carried basis as a carried operator under the following conditions: A carried operator shall be entitled to the share of production from the tracts pooled accruing to his interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to his share equal, A) 300% of the share of such cost applicable to the interest of the carried operator of a leased tract or portion thereof; or B) 200% of the share of such cost applicable to the interest of the carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that the order provide that the elections by respondents be in writing and sent to the applicant at Equitable Production Company, 1710 Pennsylvania Avenue, Charleston, West Virginia 25328, Attention: Melanie Freeman, Regulatory?

A. Yes.

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

A. Yes, it should.

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

A. Yes.

Q. Should unleased respondents be given 30 days from the date of the execution of the order to file their written elections?

A. Yes.

Q. And if an unleased respondent elects to participate, should they be given 45 days to pay for their proportionate share of well costs?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs satisfactory to the applicant for payment of the those costs, then their election to participate shall be treated as having been withdrawn and void?

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to the payment of well costs, any cash sum becoming payable to such respondent be paid within 60 days after the last day on which such respondent could have paid or made

satisfactory arrangements for the payment of those well costs?

A. Yes.

Q. Okay. In this particular case, we have two unknown interest owners in Tract 3. So, does the Board need to create an escrow account for those respondent's benefit until the money can be paid to that party?

A. That's correct.

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

A. Equitable Production Company.

Q. Now, what's the proposed depth of the well under the plan of development?

A. 4818 feet.

Q. Are you requesting force pooling of conventional gas reserves will include not only the designated formations but any other formations excluding coal formations which may be between those formations designated from the surface to the total depth drilled?

A. Yes.

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

A. 300,000,000 cubic feet.

Q. Now, are you familiar with the well costs for the proposed well under the plan of development?

A. Yes.

Q. Was an AFE prepared, signed and submitted to the Board as exhibit C to the application?

A. Yes, it was.

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

A. Yes.

Q. In your opinion, does the AFE represent a reasonable estimate of the well costs for the proposed well?

A. It does.

Q. Could you state for the Board at this time both the dry hole costs and the completed well costs for 502735?

A. The dry hole costs would be $456,369 and the completed well costs would be $269,431.

Q. Do these costs anticipate a multiple completion?

A. Yes, they do.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste, and the protection of correlative rights?

A. It will.

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

BENNY WAMPLER: Could you just verify for me that Tract 3...looking at your location map, Exhibit A. Is Tract 3 the Bruce Jenkins, et al tract?

DON HALL: That's correct. Obviously, we didn't number the plat. But that is the tract.

BENNY WAMPLER: And that's where we would find the Margaret Bates and Deloris Robinette, etc., all those folks in the area?

DON HALL: Right, in the exhibit, yes.

BENNY WAMPLER: Thank you. Any questions from members of the Board?

(No audible response.)

CLYDE KING: I move we approve.

BENNY WAMPLER: Motion to approve. Is there a second?

MASON BRENT: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM KISER: Thank you.

DON HALL: Thank you.

BENNY WAMPLER: The next item on the agenda is a petition from Columbia Natural Resources, Incorporated, for pooling of a conventional gas unit identified as CNR-25...I'm sorry, 24542. This is docket number VGOB-02-06/18-1037. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MASON BRENT: Mr. Chairman?

BENNY WAMPLER: Yes.

MASON BRENT: I'd like the record to reflect that I am going to recuse myself from the last three items on the agenda.

BENNY WAMPLER: It shall so reflect. We still have

a quorum. He's just not voting.

CLYDE KING: You're here.

(Everyone comes forward.)

BENNY WAMPLER: I'll ask each of you to introduce yourselves and start on this end and go this way.

LYNETTE GREENE: Lynette Greene. I'm a representative for Columbia Natural Resources.

JIM KISER: Jim Kiser representing Columbia Natural Resources.

ROBERT KENNON: Robert Kennon, lead prospect engineer representing Columbia Natural Resources.

PATRICIA HOGSTON: Patricia Hogston.

RANDALL MATNEY: Randall Matney.

BENNY WAMPLER: We'll ask them to go ahead and present their case and then you'll have an opportunity to ask questions. You may proceed, Mr. Kiser.

JIM KISER: I'm sorry, what was your name, sir?

RANDALL MATNEY: Randall Matney, representing Ocie Beach and Adelphia---.

LYNETTE GREENE: Oh, okay.

PATRICIA HOGSTON: And me.

JIM KISER: Okay.

RANDALL MATNEY: And Mazie---.

MAZIE CHURCH CORDLE: Church Cordle.

JIM KISER: Ms. Greene will be our first witness. I guess, let's just swear Ms. Greene and Mr. Kennon at the same time.

BENNY WAMPLER: Let's get everybody.

JIM KISER: All right. Swear them all.

(Everyone is duly sworn.)

JIM KISER: We'll start off with Ms. Greene.

LYNETTE GREENE

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

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

Q. Now, Ms. Greene, if you'd state your name for the Board, who you're employed by and in what capacity?

A. My name is Lynette Greene. I'm employed by Columbia Natural Resources as a land representative.

Q. I think you testified before the Board just last month for the first time and your resume was submitted and you gave some testimony regarding that and you were accepted as a qualified witness in land matters. And your responsibilities obviously include the land involved in the

unit for well number 24542 and in the surrounding area?

A. Yes.

Q. And you're familiar with CNR's application seeking the establishment of a drilling unit and a pooling order for this well, which was dated May the 17th, 2002?

A. Yes.

Q. Does CNR own drilling rights in the unit involved here?

A. Yes.

Q. Does the proposed well that's depicted as Exhibit A to the application include all acreage within 2500 feet of...in other words, a 1250 foot radius for the proposed well?

A. Yes.

Q. Now, prior to filing this application, were efforts made to contact each of the respondents named in Exhibit B and an attempt made to work out a voluntary agreement regarding the development of the unit?

A. Yes.

Q. And at this time, what is the interest within the unit that CNR has under lease?

A. 89.36% of the unit.

Q. And you're also familiar with the ownership

of drilling rights of parties other than CNR underlying this unit, in other words, the unleased interest?

A. Yes.

Q. And what is that percentage?

A. 10.64% at the time of application.

Q. Are all the unleased parties set out at Exhibit B?

A. Yes.

(Jim Kiser confers with Lynette Greene.)

Q. Okay, were reasonable and diligent efforts made and sources checked to identify and locate any unknown heirs to include primary sources such deed records, probate records, assessor's records, treasurer's records and secondary sources such telephone directories, city directories, family and friends?

A. Yes.

Q. Now, in your professional opinion, was due diligence exercised to locate each of the respondents named herein?

A. Yes.

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

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest as listed at Exhibit B?

A. Yes.

Q. Now, are you familiar with the fair market of drilling...fair market value of drilling rights in the unit here and in the surrounding area?

A. Yes.

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

A. A $5 bonus for a five year term and a one-eighth royalty.

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

A. Yes.

Q. Now, as to those respondents listed at Exhibit B who have either not agreed to a voluntary lease or are unknown, do you recommend that they be allowed the following options with respect to their ownership interest within the unit: One, participation; two, a cash bonus of $5 per net mineral acre plus a one-eighth of eight-eighths

royalty; three, in lieu of the cash bonus and one-eighth of eight-eights royalty, share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to his share equal, A) 300% of the share of such cost applicable to the interest of the carried operator of a leased tract or portion thereof; or B) 200% of the share of such cost applicable to the interest of the carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that the order provide that the elections by respondents be in writing and sent to the applicant at Columbia Natural Resources, Inc., 900 Pennsylvania Avenue, Charleston, West Virginia 25302, Attention: Mary Sue Shulberg?

A. Yes.

Q. Should this be the address for all communications with the applicant concerning any force pooling order?

A. Yes.

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

A. Yes.

Q. Should unleased respondents be given 30 days from the date of the order...execution of the order to file their written elections?

A. Yes.

Q. And if an unleased respondent elects to participate, should they be given 45 days to pay for their proportionate share of well costs?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Do you recommend the order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs satisfactory to the applicant for payment of the those costs, then their election to participate be treated as been withdrawn and void?

A. Yes.

Q. Do you recommend the order provide that where a respondent elects to participate but defaults in regard to the payment of those well costs, any cash sum becoming payable to that respondent be paid within 60 days after the last day on which such respondent could have paid or made satisfactory arrangements for the payment of those well costs?

A. Yes.

Q. Okay. We do have, what, two unknown owners in this unit on Tract---.

BENNY WAMPLER: 6.

Q. ---6. Now, as such, does the Board need to establish an escrow account so that any proceeds attributable to those unknown interest can be paid into that?

A. Yes.

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

A. Columbia Natural Resources.

Q. Inc.?

A. Inc.

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

BENNY WAMPLER: Questions from members of the Board of this witness

(No audible response.)

BENNY WAMPLER: Call your next witness.

ROBERT KENNON

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

DIRECT EXAMINATION

QUESTIONS BY MR. KISER:

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

A. Robert Kennon. I'm employed by Columbia Natural Resources as a lead prospect engineer whose duties include reserve economic analysis for the wells in this particular area.

Q. Again, last month your...was your first experience testifying before the Virginia Gas and Oil Board

and your qualifications as a...a qualified witness in the area of operations were accepted. Your responsibilities do, as you just stated, include the lands involved here and in the surrounding area?

A. Yes.

Q. And you're familiar with the proposed exploration and development of the unit involved here?

A. Yes.

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

A. 5622 feet.

JIM KISER: It may be different than what we stated in the application, Mr. Chairman.

ROBERT KENNON: That's per the revised G plat.

JIM KISER: Okay.

ROBERT KENNON: There was an elevation that made some corrections.

Q. Okay, we stated...we had it at 5690 in the application. So, the actual depth should be 5622?

A. Yes, sir.

BENNY WAMPLER: That's what I have.

LYNETTE GREENE: I have that, too.

JIM KISER: He does?

BENNY WAMPLER: That's what I have.

LYNETTE GREENE: Uh-huh.

BENNY WAMPLER: 5622.

JIM KISER: Um.

BENNY WAMPLER: They just didn't give you an update.

(Laugh.)

JIM KISER: I'm the last to know.

BENNY WAMPLER: That's okay as long as the Board has it.

CLYDE KING: Yeah.

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

A. Yes.

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

A. 500,000,000 standard cubic feet.

Q. Now, are you familiar with the well costs for the well under the plan of development?

A. Yes.

Q. Has an AFE been prepared, signed and submitted to the Board as exhibit C to the application?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Could you state for the Board both the dry hole costs and the completed well costs?

A. Estimated dry hole costs $184,077. The completed well costs of $285,578.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of

conservation, the prevention of waste, and the protection of correlative rights?

A. Yes.

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

BENNY WAMPLER: I'll just correct what I said earlier. What we have is correct on the AFE provided 5622 total depth, but what was in the application was 5690. So, you're correct in that (inaudible) the AFE.

JIM KISER: All right. Correct.

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

(No audible response.)

BENNY WAMPLER: Okay, I'll yield to you folks.

PATRICIA HOGSTON: Okay, go ahead.

RANDALL MATNEY: Could I ask Ms. Greene a few questions---?

BENNY WAMPLER: You sure can.

RANDALL MATNEY: ---to make sure I understand everything? When would production start?

LYNETTE GREENE: After this well is drilled, we're hoping to have it on line by the end of the year.

RANDALL MATNEY: Uh-huh. Okay, well, you'd want

the property owners to be knowledgeable in what was going on, wouldn't you?

LYNETTE GREENE: Yes.

RANDALL MATNEY: People that owned property?

LYNETTE GREENE: Yes, sir.

RANDALL MATNEY: So, your representative of the gas company needs to be knowledgeable of the contract and answer all legal questions, health, safety and environment, unknowns or whatever and get the answers and get back with the land owner then, wouldn't you?

LYNETTE GREENE: Yes, sir.

RANDALL MATNEY: Well, the gas company representative would be knowledgeable that you'd send, wouldn't he?

LYNETTE GREENE: (No audible response.)

RANDALL MATNEY: So, he'd know more...would he have knowledge about how they lay pipelines and compressor stations and all this?

LYNETTE GREENE: He would, but did he approach about compressor stations?

RANDALL MATNEY: Well---.

LYNETTE GREENE: Was that what he approached you about, sir?

RANDALL MATNEY: No, I just asked you would he have knowledge of how they put the pipelines in and things like that?

LYNETTE GREENE: He...as far as the construction end of it, no. But as far as preparing the land in order to construct it, yes.

RANDALL MATNEY: Okay.

LYNETTE GREENE: Getting the rights ready, he would know that.

BENNY WAMPLER: Let me just clarify one thing for you. Those are permitting issues that you're raising and not really issues before the Board.

RANDALL MATNEY: Okay.

BENNY WAMPLER: Just so that you know. Not to cut you off on where you're going.

RANDALL MATNEY: Okay.

BENNY WAMPLER: I just...I just want you to be aware of that.

RANDALL MATNEY: Well, he'd be knowledgeable...you all would know who's the proper land owner and you'd know all about Wills and all that then, wouldn't you?

LYNETTE GREENE: Yes.

RANDALL MATNEY: You done searched that out?

LYNETTE GREENE: Yes.

RANDALL MATNEY: Okay. And...so, you'd want a landowner to be knowledgeable of what's going on. Well, that's the problem we've got. My mother has offered to sell, but the guy that come to get the property...he called on Friday and wanted to come on Monday. He said he was new to the job. I started asking him questions about this contract. You know, it has got all this stuff in it. He didn't know. He didn't know. So, he wrote down all these questions and got back...he said, "I'll get back." And, you know, health, safety and environmental questions that we had. He tried, I guess, but he just didn't know the answers. So, he was supposed to get these answers and get back with her and try to work out something.

What he got back was, we'll just force pool you. So, she's not knowledgeable...I mean, he couldn't tell her what was going on. As a matter of a fact, he didn't know the difference between natural gas and methane, and I know that. And, you know, some of the questions, like environmental. He said, well, the contractor said that they would pay for the timber, but it don't say who decides the price, you know, the fair market value or somebody just give you what they want.

I mean, there was several issues there. I asked him, I said...about the timber, he said, "well, we go around the timber, we go around the trees." I said, "what do you got a big truck load of 45s and 90s, when you come to a tree, do you 90 around that and 45 around that?" What's the deal here? I said, "I tell you what," I said, "I'll take you up the road and show you where they're putting the pipeline. They're cutting a strip about a 100 foot wide." And, you know, I don't know what the problem was. He was not very knowledgeable.

He made several promises, you know. So, I started looking at the contract. The contract plainly says, and I can show you, it says nothing oral...nothing oral is binding. It has to be in this paper. And that's all that Mommy's asking for is to put it on paper, these promises they make. He set right there and told me all that and I looked and it said nothing oral is binding. It says it has be in this contract. Then it has got in this contract here that, you know, that they want you to sign, it says, you waive any right for a civil action against Columbia Natural. Well, if they don't pay you, how are you going fight your money? I mean, you can't sue them. And if they come...if they sink your water, you waive your right to sue them there. I mean,

just... everything I seen was just a big contract wrote up for the company and nothing for the...for the landowner. They couldn't...he didn't know, you know, if your coal was tied up, you know. All this is tied...he didn't know that coal, oil and gas was tied together. He didn't know if Mommy could sell her coal, since they own it all, if you sell the gas. He didn't know none of that. He never...I feel like nobody reasonably made an attempt to buy her stuff out. I called him on the phone, I told him, she will sell. But, you know, it was like take it or leave it, I guess. Take this contract. I guess he think everybody is dumb.

MR. WAMPLER: Mr. Kiser.

JIM KISER: Well, we would certainly be willing to...if this particular land person was not...obviously, you weren't satisfied with his knowledge base. We would be glad...this whole force pooling process from today until you actually you have...a supplemental order can take anywhere from---.

RANDALL MATNEY: Well, he wrote down eight questions. I asked him stuff in this contract.

JIM KISER: --60 day---.

RANDALL MATNEY: I asked him.

JIM KISER: Okay.

RANDALL MATNEY: We're not dumb up there where we live at.

JIM KISER: All right, let me finish. It will take maybe 60 to 90 days. We'd be more than willing to send a different, more experienced landman out there to work with you and your mom and get those questions answered and still would be more than willing to have you be subject to a voluntary lease rather than a force pooling order.

RANDALL MATNEY: Well, he wrote eight questions. He said I just didn't realize these was in there and I'm new to the job. I worked in the coal mines. I'm trying to get out of the coal dirt. I'm trying to get a clean job, I guess. I don't blame him. But we never got the answers to the questions, none. Just call Mommy back and said we'll just force pool you. You know, like it don't make no difference, you know.

JIM KISER: Do you remember his name by any chance?

RANDALL MATNEY: No. I don't want to know him. I don't want to see him. I think it's very untactful to send somebody out that has no knowledge of what's going on. That don't know the difference between natural gas and methane. We expect---.

LYNETTE GREENE: Is your---?

SANDRA RIGGS: Well, this is...this is a conventional gas drilling unit. It has nothing to do with methane.

RANDALL MATNEY: Well, it says coal, oil or gas. I asked him, I said, what...what's the deal here. We're buying the natural gas. I said the contract says oil, gas and constituents.

SANDRA RIGGS: Well, we're talking about the pooling...the pooling application that's before the Board today is a conventional gas---.

BENNY WAMPLER: Only.

SANDRA RIGGS: ---pooling application. Conventional gas only and not coalbed methane.

JIM KISER: See, it wouldn't grant the applicant any rights to the coalbed methane.

BENNY WAMPLER: They'd have to come back.

RANDALL MATNEY: See, that's what I'm saying. They ain't nobody that knowed it. I'm not a lawyer. I'm a mechanic. I work on stuff for a living. I don't know about stuff like this. When somebody comes, they need to be able to answer every question that I've got.

SANDRA RIGGS: Well, let's...why don't you ask... with respect to this pooling application, let's see if we

can't clarify some of this for you. This is conventional gas only and not coalbed methane.

RANDALL MATNEY: Okay. That's natural---?

SANDRA RIGGS: You're an owner---.

RANDALL MATNEY: You're talking about natural gas?

SANDRA RIGGS: Right. Deep---.

RANDALL MATNEY: Well, I asked that guy. He said, well, it's only natural gas. I said, well, why don't you specify this natural gas. He didn't know why. He didn't know the difference.

SANDRA RIGGS: On Tract 5, is that where your interests are?

RANDALL MATNEY: I don't.....It's---.

LYNETTE GREENE: Is your mom Ocie?

PATRICIA HOGSTON: Yes.

RANDALL MATNEY: Yes.

SANDRA RIGGS: Tract 5, do you have the pooling application?

RANDALL MATNEY: Is this it?

SANDRA RIGGS: Turn to the map.

RANDALL MATNEY: I mean, we know it's a done deal. But, you know, we want to be treated like we've got a little bit of sense when you come with a contract.

SANDRA RIGGS: Up in the corner, Tract 5, that 1.33 acre, is that the tract we're talking about?

RANDALL MATNEY: Yeah, it's a 130 some or 40 some acres.

SANDRA RIGGS: Well, within this drilling unit, we're talking about 1.33 acres, which is Tract 5. That's all we're talking about.

RANDALL MATNEY: I guess it is.

SANDRA RIGGS: Well, if you'll look on Exhibit B that shows where your interest are---.

RANDALL MATNEY: Uh-huh.

SANDRA RIGGS: ---within this drilling unit, it would be Tract 5. According to this map---.

RANDALL MATNEY: Yeah. Yeah, that's right. Okay.

SANDRA RIGGS: ---there is no activity on the surface. Is that right, of their tract?

JIM KISER: That's right.

SANDRA RIGGS: There's no pipelines. There's no gas wells. There's no access roads. So, therefore, there's no environmental issues, anything that affects your tract. They're draining the gas and paying you a royalty from beneath. But there's no activity on your surface.

RANDALL MATNEY: That ain't what the contract says.

SANDRA RIGGS: We'll, we're...do you have the pooling application?

JIM KISER: No, he's talking about the lease that he was offered.

LYNETTE GREENE: Oil and gas lease.

BENNY WAMPLER: He's talking about the lease agreement that was provided.

RANDALL MATNEY: The lease agreement don't say that. They want to bring gas from other properties and drill and store on it free of charge.

SANDRA RIGGS: Well, the lease that they're...that they presented to you has to do with your entire ownership, I presume. What we're talking about today in this pooling application is 1.33 acres located in the upper corner of this circle you're looking at on the map.

RANDALL MATNEY: Okay, yeah, I understand. Yeah.

SANDRA RIGGS: Which would be the area drained by well---.

JIM KISER: 24542.

SANDRA RIGGS: 24542. We're talking about that one well.

RANDALL MATNEY: Well, see, this all should be explained to me instead of me having to miss a days work to

come over here to hear this, you see, is my point. And that's why I think they need to talk to us and come and explain to her what's going on on her property that she owns instead of sending somebody that don't know.

JIM KISER: Well, that's what I'm proposing to you. I will ensure that they'll send the most experienced landman out there to go through this with her---.

RANDALL MATNEY: Well.....

JIM KISER: ---rather than an experienced one.

RANDALL MATNEY: She needs to say what she has to say. I think it's pretty relevant too.

JIM KISER: All right.

BENNY WAMPLER: Go ahead. Go ahead, ma'am.

PATRICIA HOGSTON: Well, what I have to say concerns---.

BENNY WAMPLER: Would you state your name for the record?

PATRICIA HOGSTON: Patricia Hogston, and I object to this. Columbia sent someone to my house last fall. In the very beginning, they called me to get the phone numbers for my husband's sisters. I told them at that time my husband was sick and to not call back and bother him because he had cancer and was very sick. They said okay. Well, last

fall, they came to the house and wanted to talk to him. So, I had to get him out of the bed, and he didn't feel like being pressured into signing a lease. We already knew what the lease said. We'd seen one.

My husband passed away December the 29th, 2001. So, a few weeks later, I received another copy of the lease in the mail and they insinuated, or implied, that we'd never had a copy or we'd never seen it before. Well, I'd seen two or three copies. I just wrote on this he had deceased and mailed it back. So, around the first of April, I was gone somewhere and my daughter was with me since my husband had passed away. She got a phone call and they asked for her. They told her that her father's lease had left her as the owner, and our two grandsons, in this property, his interest in this property, which is absolutely not true. I told my daughter that's yours when I pass away because he left them something and everything else went to me until I pass away. Then a few days later, someone comes to my door and was from Columbia Gas and they asked for my daughter. When I found out what they wanted, I told her, I said, you read the lease wrong...read the Will wrong. I said, that's not...you're not reading it correctly. So, she pulls out a copy of the Will that she had gone to the courthouse and got and she started

explaining it to me. I said, no. She turned over here. I said, right here it is. I said, if you'll go back and read the first, it said, "I give, devise and bequeath all the rest and residue of my estate real, personal or mixed whatsoever located to my wife Patricia S. Hogston with the exception as set forth in Article IV." They didn't read Article IV. That's what applied at the time of his death.

So, I looked at her...I started looking for it, she didn't even have Article IV. It wasn't in her copy of the Will. Now, what happened to it, I don't know. I went in and got my copy and I read to her Article IV. I showed her. So, she understood then. She said, well, her boss told her that's the way it was, the way she looked at it and two or three other people in the office. But they couldn't even read the Will correctly.

I feel like that they should come and ask me if he left it to me or what before they went to the courthouse and got a copy of his Will. I was very, very hurt by that.

RANDALL MATNEY: That's my point. They can't even read the Will and had it right there. They're so reckless. I...I don't like...I don't want to do business with anybody like that. If you can't read the Will in black and white. I mean, I can understand if you don't know something. When you

got it in black and white, they ought to be able to fix that.

SANDRA RIGGS: Well---.

PATRICIA HOGSTON: That made my daughter and grandsons feel like that I had withheld information from them. That they were not getting everything they were supposed to from the Will.

SANDRA RIGGS: Well, they're required by law to do due diligence to try to track down the owners of gas and oil interest that they're pooling. Part of the requirement that they have is to go to the courthouse and review public records. That's the way predominantly they're supposed to determine ownership because the property records is where you would go to find out who owns what. That's where they start. Then from there if they can't figure it out, they start contacting people directly to try and resolve. Because in the coalfields, many times you have heirships that aren't recorded or aren't put of record and generations go by and the only way you can find out who the owners are and who the heirs are after two or three generations, is by contacting relatives and making inquiry.

So, you know, part of the regulations of the Board requires them to do that due diligence in order to tie down exactly who is entitled to proceeds from the gas production.

That's just by way of explanation to tell you that that's something that the law requires them to do.

PATRICIA HOGSTON: Well, they should be able to read it correctly.

SANDRA RIGGS: But do they have---?

JIM KISER: I believe we do have her interest correct on Exhibit B to the application.

SANDRA RIGGS: ---based on the current...the application for pooling in Tract 5, they appear to have you listed as the owner of that?

PATRICIA HOGSTON: Yes.

RANDALL MATNEY: She had to straighten it out, though.

PATRICIA HOGSTON: See, they came to the house to get my daughter and grandsons to sign a lease because they didn't read the Will correctly.

RANDALL MATNEY: We'd like to talk to somebody that's knowledgeable of what's going on, somebody that can explain the contract that they got you to sign.

SANDRA RIGGS: Well---.

JIM KISER: Well, we probably did the---.

SANDRA RIGGS: ---normally when you've got two parties negotiating, one has their advisors and the other has

their advisors and that's how you come together on your terms. You probably need to contact an attorney or somebody that can advise you in your best interest because they're negotiating for themselves. They aren't negotiating for you.

RANDALL MATNEY: Well, no, they weren't negotiating. Take it or leave it, that was the way we got it.

SANDRA RIGGS: Well, they presented you the lease and then you...then you instituted negotiations. Is that what you're saying?

RANDALL MATNEY: No, we tried. But, you know... well, Mommy's willing to sell. But the guy that was supposed to get all these answers to these questions and answer them, you know, and then haggle from there, I guess, but he just said we'll just force pool you, you know. Do what they want.

JIM KISER: Well, like I said, we'll send somebody more knowledge out there and try again. My firm probably did the title opinions in this unit. If there's any question, obviously, we agree that, you know, you own the interest... the interest that your husband had in that tract. I can go back and take a look at that, and with my client's permission, even provide you a copy of that. So...if that will be helpful.

PATRICIA HOGSTON: Okay.

JIM KISER: But, you know, we...we would rather operate under a lease than a pooling order, also. So, if...if you all are amenable to it, then I can have Lynette send someone out with, I guess..what has Ron got, twenty or thirty years of experience?

LYNETTE GREENE: Ron has thirty...about thirty years of experience.

JIM KISER: And have him talk with you and hopefully get answers to those questions. If we can't get them from him, I'll give you my card and you can call me.

RANDALL MATNEY: It sounds like a winner.

BENNY WAMPLER: Do you have anything further?

RANDALL MATNEY: No. If he's wanting to go back, you know, and explain things, which something might happen.

BENNY WAMPLER: Well, like he said, once the Board order comes out, if the Board approves the application today, you'll still have thirty days from that date. You know, an opportunity there to make decisions on a lease or to participate in the well and the options you heard her, Ms. Riggs, explain this morning.

SANDRA RIGGS: Your choice is either to follow one of the options set forth in the Board order, and you may like

those terms better than you like the lease terms. You don't have to sign a voluntary lease. You can...you can elect to lease through the Board's pooling order.

So, you need to compare terms. Like that lease covers all of your ownership where this pooling order only covers what I told you 1. whatever acres.

RANDALL MATNEY: 1.33 or something.

SANDRA RIGGS: Right. It may give additional rights to the operator that you don't want to give that the pooling order would not. So, you need to look at the pooling order and you may decide that you want to go that route instead of a voluntary lease. But then that would be your option.

RANDALL MATNEY: Uh-huh. Yeah, we understand that. I understand that.

BENNY WAMPLER: You're just wanting your questions answered. We understand.

RANDALL MATNEY: Well, we didn't think that they ought to be able to force pools until they can answer what they're wanting us to sign.

SANDRA RIGGS: Is there a permit issued on this well? A lot of the questions that you have are permitting issues as opposed to pooling issues. Bob Wilson is the Gas &

Oil inspector. He can give you his number as well in terms of questions you might have about the permitting process.

RANDALL MATNEY: Uh-huh.

SANDRA RIGGS: Because when they file an application for...this well isn't on your property and according to this plat there's no intrusion---.

BENNY WAMPLER: (Inaudible).

SANDRA RIGGS: ---on to your property, physical intrusion on to your property.

RANDALL MATNEY: If you sign that contract, there will be.

SANDRA RIGGS: Well, that's what I'm saying. You may want to compare---.

RANDALL MATNEY: I know. Yeah, I know what you're saying.

SANDRA RIGGS: ---a lease to the pooling order and make a decision what's in your best interest. But in terms of permitting issues, Mr. Wilson can help you with those issues. You talked about environmental issues and those kinds of things are handled through the permitting process.

RANDALL MATNEY: Well, they should be able to answer that whenever they come to buy your gas or whatever they're going to do. So, we didn't know...we figured they

was going to take a dozer and just plow it up or whatever. They can't tell you if they don't know. They can't tell you what's going on and we don't know. We don't know. We should not have to come here. They should have knew they weren't going to get on the property. But he didn't know that. I probably knew more about it then he did. After I read the contract, I had an idea what they wanted. What they're going to get will be something else.

BENNY WAMPLER: Well, we agree with you on that. But the representative contacting you should be a knowledgeable representative.

RANDALL MATNEY: He said he had about six months of experience or something like that.

BENNY WAMPLER: Any questions from members of the Board of these witnesses?

(No audible response.)

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

BENNY WAMPLER: Is there a motion?

MAX LEWIS: I make a motion that we continue it until he contacts you about what's on your property.

RANDALL MATNEY: It sounds good.

CLYDE KING: Is that a motion to approve?

BENNY WAMPLER: Motion to continue is what he made until they contact these folks.

CLYDE KING: Is that agreeable with everybody?

RANDALL MATNEY: Yes.

JIM KISER: Well, we've...we've gone on the record as saying that we'll send somebody out there at the earliest opportunity. I guess, as early as tomorrow, if that's convenient for you all---.

RANDALL MATNEY: You'll just have to call Mommy and make an appointment with her.

JIM KISER: ---to...to get those questions answered. And if we negotiate a lease, then we could dismiss them out through the supplemental order process. If they decide that the force pooling order is a better option to go, then we'll have it and we can proceed. I don't know how it benefits anyone to continue it to next month.

SANDRA RIGGS: Until...until you get the pooling, you're going to have nothing to compare against to decide which way you want to go.

RANDALL MATNEY: Yeah, okay.

JIM KISER: Yeah.

SANDRA RIGGS: That's the other issue, too.

CLYDE KING: Can make...could we move that it be

approved subject to approval of all parties?

MAX LEWIS: How are we going to know that? We have no way of knowing that.

BENNY WAMPLER: We can't do that. I mean, because they may...I mean, that's moving into property rights. Certainly---.

CLYDE KING: There ought to be some way we could handle to---.

JIM KISER: Well, I think it's going to...it would be more---.

CLYDE KING: ---satisfy both parties.

JIM KISER: As Ms. Riggs stated, I think it would be more beneficial to them to approve the order so that they can see a Board order so that they have something to compare to the voluntary lease. You have our word on the record today that we'll have a more knowledgeable land person out there to answer these questions regarding a lease so that you'll have that answered. Then it usually takes, what, maybe two weeks to get a recorded Board order that we can send out. Then at that time, you'll have thirty days from that point to decide whether to go with the lease or make one of your election under the Board order. I think that's a more logical process.

BENNY WAMPLER: Does that sound reasonable to you folks?

JIM KISER: Ms. Greene said she'll come out and meet with your mother.

RANDALL MATNEY: That's fine.

LYNETTE GREENE: I can meet with your mom.

CLYDE KING: Is that satisfactory for all parties?

MAX LEWIS: Is that acceptable to you?

RANDALL MATNEY: What are we saying exactly now?

MAX LEWIS: That she's going to come out and explain all the legality about your property and everything...about your rights.

RANDALL MATNEY: Yeah, she can come.

JIM KISER: And if she has questions, she can call me.

RANDALL MATNEY: We just took offense to sending somebody there that couldn't answer the questions. I'm sure you can understand that. If you go to a car lot to buy a car and they don't know nothing about it and don't know if it's 15" wheels or 16, or don't know if it has got a V-6 or if it's an electric motor or whatever. I mean, you know, you're going to walk off. That's about the way we feel out there. I mean, that guy couldn't answer nothing.

JIM KISER: So, again, I'd ask that we have the application approved as submitted.

CLYDE KING: Is there a motion on the floor, Mr. Chairman?

BENNY WAMPLER: A motion to continue is on the floor. Max is thinking about it. Are you still leaving that motion out there?

MAX LEWIS: Yeah, I'm going to leave it out there.

BENNY WAMPLER: He has got the motion out, motion to continue.

CLYDE KING: I move that we approve with the stipulation that all parties---.

SANDRA RIGGS: I think you first have to deal with his motion before you can---.

MAX LEWIS: How are you going to know that?

CLYDE KING: Oh, okay.

BENNY WAMPLER: I've got to deal...I've got to deal with this to see if there's a second. So, I take that you're not seconding---.

CLYDE KING: No.

BENNY WAMPLER: Now, so that doesn't have a second.

JIM KISER: I want to go back...can I go back to the motion to continue? I mean, do you understand that

that's not going to get them in the position they need to be in to where they can decide between a lease and a Board order? Because they're not...if it's continued, they're not going to have any order to compare the lease to.

RANDALL MATNEY: We just need our questions answered.

JIM KISER: Right.

RANDALL MATNEY: Let's go ahead and answer some questions. I'll write up about a hundred questions and if they answer them, then that will be all we need to know.

CLYDE KING: If all parties agree, it shouldn't---.

MAX LEWIS: You're not going to know whether those questions are answered or not.

SANDRA RIGGS: Well, I would repeat that they're not your attorneys. They represent the company. You need to have your own representation.

RANDALL MATNEY: I understand that. I understand that.

SANDRA RIGGS: I mean, the terms that they're offering you are contained within the lease. You either agree or disagree with that. Now, the questions that you're getting into go beyond the lease terms. You're now wanting to know their production and operation business and that's

not what a landsman does. You're asking questions about how the well is going to be drilled and what intrusions on the surface and all that kind of thing and we've already determined there is no intrusion on your surface.

RANDALL MATNEY: Well, they should have knew that when they...when he come to the house.

SANDRA RIGGS: Well, I understand that. But now you know that. So, going from this point forward in terms of presenting a hundred questions or a thousand questions---.

RANDALL MATNEY: Well, you know, I just said that, you know, things that I wanted to ask them about.

SANDRA RIGGS: We're trying to resolve the issues. Not just debate the issue. I mean, if there are legitimate lease questions, a landsman can come out and deal with that.

RANDALL MATNEY: That's what I've got.

SANDRA RIGGS: If your questions go to operations or legal issues, now that's a different...you can't expect a landsman to be able to give you legal advice.

RANDALL MATNEY: I'm not.

SANDRA RIGGS: Okay. Or even operational advice about what the operations are going to look at.

RANDALL MATNEY: I know...I know it. I've seen gas wells all---.

SANDRA RIGGS: Now, when they get ready to drill, they will apply for a permit. At that point, you will receive...I don't know. Are they within the notice---?

JIM KISER: Sure.

BOB WILSON: Yes.

SANDRA RIGGS: You would receive notice---.

JIM KISER: You would a copy of the permit application.

SANDRA RIGGS: ---on that permit. You would have a right to object. At that point, you would address all the environmental and safety issues and questions that you have. That's not part of the lease negotiation. That's goes to the permitting issues. So, just so we don't mix apples and oranges here.

RANDALL MATNEY: I know. I understand what you're saying.

SANDRA RIGGS: We keep everybody in their own area of expertise is all I'm...all I'm suggesting to you.

BENNY WAMPLER: So, the motion for continuance dies because it doesn't have a second. Is there another motion?

CLYDE KING: I move, Mr. Chairman, that we approve the application with the approval of all parties, if that makes sense.

SANDRA RIGGS: No.

(Ms. Riggs confers with Mr. King.)

CLYDE KING: I move that the operator sends a linesman out to satisfy the parties, that way everyone would be happy.

JIM KISER: We've already agreed to do that. You don't need to make a motion to do that.

CLYDE KING: I so move.

JIM KISER: Are you saying you're making a motion to approve the application as submitted with the caveat that we send a landman out to---?

CLYDE KING: Right.

JIM KISER: Okay.

CLYDE KING: And that would satisfy you folks.

BENNY WAMPLER: Is there a second?

MAX LEWIS: A roll call vote.

BENNY WAMPLER: What's that? Are you going to...I don't have a second. I can't vote.

(Benny Wampler and Max Lewis confer.)

SANDRA RIGGS: It dies for a lack of a second.

BENNY WAMPLER: It dies for a lack of a second. We've got to try to negotiate---.

CLYDE KING: It dies for a lack of a second.

BENNY WAMPLER: I have to have a motion that's going to get a second. Can't we negotiate a motion that's accepted? They seem to be acceptable with the caveat that they contact you. Is that---?

RANDALL MATNEY: What, continue it and let them contact us?

BENNY WAMPLER: Well, the motion was to approve it with the caveat that they have to contact you.

CLYDE KING: And send a knowledgeable person out to talk to you.

JIM KISER: And we're going to do that.

SANDRA RIGGS: Within the thirty days that you have the right to make your elections so that you have all the information you need in time to make a decision.

JIM KISER: And that way, you're in the position to where you can decide whether or not you are in...a voluntary lease or is more favorable to you or the...or to have your interest pooled under the Board order is more favorable to you. Otherwise, we're not getting anywhere.

CLYDE KING: Least ways, you've got something to talk about.

BENNY WAMPLER: Are you going to second that motion?

MAX LEWIS: No.

BENNY WAMPLER: I just asked.

JIM KISER: Are you not allowed to second?

BENNY WAMPLER: Typically, no.

JIM KISER: Well, you know, maybe this is an untypical situation since we only got four of seven Board members here.

BENNY WAMPLER: Yeah, that's the difference. That's the problem.

(Board members confer.)

BENNY WAMPLER: Let me ask you a question. On the record, I'll just ask you a question. If that motion to approve the order with the stipulation that they be contacted---.

RANDALL MATNEY: Could I say something? We'd like to have this meeting continued until the next Board meeting and see if we can work something out, if I could make that motion.

(Everyone laughs.)

SANDRA RIGGS: You can't make motions.

PATRICIA HOGSTON: You're not allowed to.

RANDALL MATNEY: Well, whatever.

BENNY WAMPLER: You're making a request.

RANDALL MATNEY: I'm making a request that we continue this---.

BENNY WAMPLER: That...that motion already---.

RANDALL MATNEY: ---and Ms. Greene come and see if she can work something out.

MAX LEWIS: I've already made that motion.

BENNY WAMPLER: That motion was made---.

PATRICIA HOGSTON: Made and it failed.

BENNY WAMPLER: ---by Max and it died. Right now we're---.

MAX LEWIS: Nobody wouldn't second it.

JIM KISER: I mean, we've agreed to do everything they've asked us to do. What we've agreed to with an approved application today puts them in the position they need to be in. I don't know...what is it that people don't understand about that.

(Board members confer.)

JIM KISER: We've met every, you know, legal hurdle that we have to meet and clear as far as, you know, attempting...you know, locating the parties, attempting to lease them, notifying the parties. If we're not going to get this approved, I want to know what the legal grounds are for not approving it particularly based on what I saw earlier

today.

SANDRA RIGGS: Well, I don't think they're suggesting they're not going to approve. I think they're suggesting they may continue to allow due diligence to continue and negotiations.

JIM KISER: We've already said we're going to do that. If we get the...we've got sixty or ninety---.

MAX LEWIS: Yeah, I've heard a lot of people say they're going to do that.

JIM KISER: Wait a minute. We've got sixty or ninety days before this process is over and surely if we've going to be able to negotiate a lease, we'll be able to do it in that time period. And then as we've done in many cases in the past, we dismiss them out as a pooled party in the supplemental order. It's as simple as that.

BENNY WAMPLER: Well, I believe that to be the case, that that is the way to go personally as Chair. But I'm just questioning whether or not, you know, as Chair under Roberts with three people here, I can second or I would. I would say this, I would second the motion to approve it from that standpoint because I believe that you're better off to have the Board's order in front of you with an opportunity to look at...look at that lease terms and everything else in

your negotiation process. You're always able to take that up on appeal if in event you determine that that Board order... you were aggrieved by that later on.

JIM KISER: I mean, I don't know Roberts very well either. But, I think---.

SANDRA RIGGS: I don't have them with me.

JIM KISER: Yeah, but I would think we would be...because of the fact that we only have four of seven Board members present and one of them had to recuse himself, that it would almost compel the chairman to be allowed to second a motion or make a motion. I mean, otherwise it just abrogates...or, you know, makes the Board non-functional practically.

MAX LEWIS: You're wanting to write...rewrite the Robert's Rules of Order?

JIM KISER: No, I'm just going to be practical and logical---.

MAX LEWIS: Is that what you want to do?

JIM KISER: ---here, Max. I'm not trying to do anything that's improper.

BENNY WAMPLER: Nothing that has been said moves you from---.

MAX LEWIS: No.

SANDRA RIGGS: He's entrenched.

BENNY WAMPLER: He's entrenched. I've got an entrenched Board member with three people here.

JIM KISER: Well, let's take a recess and get a copy of Robert's then.

BENNY WAMPLER: Let's do it. Let's do it. So, we're recessed. We'll...we'll find out what it says and then we'll...whether or not I can actually second a motion.

(Recess.)

(Benny Wampler asks that we go back on the record, while Jim Kiser was still out of the room.)

MAX LEWIS: I'd like to make a motion that we accept this application on the...that they contact you...on the stipulation that they contact you and explain their intentions of what they're going to do.

BENNY WAMPLER: I have a motion. Is there a second?

CLYDE KING: Is that basically what we talked about?

BENNY WAMPLER: That's the one that died, yeah.

MAX LEWIS: Yeah.

CLYDE KING: I second.

BENNY WAMPLER: The motion is seconded. Any

further discussion?

(No audible response.)

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

(All members signify by saying yes. Mason Brent did not vote.)

BENNY WAMPLER: The motion is approved. Thank you.

(Off record.)

(Jim Kiser reenters the room.)

BENNY WAMPLER: It's approved.

JIM KISER: You approved it?

(No audible response.)

BENNY WAMPLER: Bob, do you care to tell Sandy that we're going on? We're done.

CLYDE KING: The motion is that you all get accept---.

BENNY WAMPLER: It's accepted with the caveat that they---.

RANDALL MATNEY: That was $285,000---.

JIM KISER: Right.

RANDALL MATNEY: If you buy into this, that well completed was $285,000, right? Is that what you put up the money on?

JIM KISER: That's the AF...yes, sir. That's the completed well cost...the estimate. It's an estimate.

RANDALL MATNEY: Suppose it's an estimate and you put up your money, then what? It's not real important. Well, we'll talk about that later.

JIM KISER: Yeah.

MAX LEWIS: Well, but you don't understand there's 200...you've got to put up 200%.

RANDALL MATNEY: Huh?

BENNY WAMPLER: Not unless it's carried. That's carried.

MAX LEWIS: Oh.

BENNY WAMPLER: That's---.

CLYDE KING: No. No, not 200%.

JIM KISER: Are you going to call the next item? Can we take a time out on that one? We're trying to negotiate that one right now with Mr. Johnson.

BENNY WAMPLER: Sure.

JIM KISER: We may have something worked out on it.

BENNY WAMPLER: Okay.

(Break.)

BENNY WAMPLER: Okay, we're back on the record. The next item on the agenda is a petition from Columbia

Natural Resources, Incorporated for pooling of a conventional gas unit identified as CNR-24655, docket number VGOB-02-06/18-1038. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KISER: Mr. Chairman, Jim Kiser with Columbia Natural Resources. If you would, could you go ahead and call those two items together because we're going to handle them together.

BENNY WAMPLER: I sure will. The next item a petition from Columbia Natural Resources, Incorporated for pooling of a conventional gas unit identified as CNR-24629, docket number VGOB-02-06/18-1039. We'd ask the parties that wish to address the Board in these two matters to come forward at this time.

JIM KISER: Again, Jim Kiser of behalf of Columbia Natural Resources.

DONALD R. JOHNSON: Donald R. Johnson, attorney for the Green/Charles heirs in both...both applications.

JIM KISER: And they represent the unleased parties in both units.

DONALD R. JOHNSON: They are all the unleased parties.

JIM KISER: All the unleased parties.

BENNY WAMPLER: Okay. You may proceed.

DONALD R. JOHNSON: Okay, I'm going to move for a continuance for the reason being that we have been working on a lease of this property...of the properties covered by these proposed pooling applications as well as substantial other acreage belonging to my clients.

We anticipate that we will have a lease proposal to CNR no later than July 12. We have agreed that if the parties are not in agreement on July the 16th, that there will be no motion for a continuance unless both parties agree to it. We would like to proceed on that basis, hoping that we will have a lease proposal satisfactory to all the parties.

BENNY WAMPLER: Mr. Kiser?

JIM KISER: We're going to go ahead at this point, Mr. Chairman, and agree to his request for a continuance of these two matters. And reiterate that he has represented that his...he and his clients will have a proposal to my clients, CNR, at a date to be no later than Friday, July the 12th. We would also, just for the purposes of the record, like to give you a brief history of the lease negotiations that have taken place to date.

On October the 10th, 2001, Mr. Johnson submitted a

draft lease to CNR. On November the 2nd, 2001, CNR submitted a redline version of the lease to Mr. Johnson with a map depicting the acreage that they wanted to lease. On November the 21st, 2001, the parties arranged to meet in John Barrett's office. On December the 11th...on December the 11th, the parties did meet and discuss the version...the redline version of the lease and the acreage to be leased. On December the 13th, CNR submitted a proposal to Mr. Johnson pertaining to some lease terms. In January, in response to a telephone call from Mr. Moffatt, an attorney with CNR, Mr. Johnson sent a letter to CNR stating that he was not in a position to respond to the proposal until the middle of January. And sometime in the middle of February, Mr. Moffatt, again, called Mr. Johnson regarding the status of the proposal and was advised that it's in the works and would be sent to his client for review. In March, we got several emails to Mr. Johnson asking for an update on the status. I'm not trying to beat up Mr. Johnson here. I'm just trying to show you that---.

DONALD R. JOHNSON: Go ahead, Jim. I mean, go ahead.

JIM KISER: I'm just trying to show you that we've...we're making diligent efforts to get this done. And

Mr.---.

DONALD R. JOHNSON: These are all billable hours, too.

JIM KISER: All billable hours for you.

DONALD R. JOHNSON: Exactly. Thank you, sir.

JIM KISER: You know, Mr. Johnson has represented to us that his client, in good faith, does want to negotiate a voluntary lease. I think the term he used, embarrassed that we haven't been able to get to it at this point or haven't been able to accomplish by this point.

Then in April, when we still weren't getting anywhere...late April, CNR asked me to advise Mr. Johnson that we were going to go ahead and file these applications and hope that would spur some action. That's why we're here today. I must say, at least in my personal case, reluctantly agreeing to this continuance. But I do have his assurance that we're going to have a proposal from his clients, the Green/Charles heirs, that they are in agreement, to be presented to us at a date no later than the 12th, which obviously as you know is pushing up against the July the 16th hearing date. An agreement that...if we're not in agreement, that there won't be another motion for a continuance unless for some reason we've agreed to it.

So, all that being said, you now have on the record a history certainly of our good faith attempts to get this accomplished. And we hope and suspect we won't be back here July the 16th. That we'll have an agreement in place.

DONALD R. JOHNSON: Let me, just in response to that, advise the Board for the record, that we're talking about significant acreages in the leases that we're talk... that we're here presently negotiating. Much more, of course, than any acreage that we're talking about for these two pooling orders, which amounts to about a 100 acres.

My clients, most of them or all of them, live outside of the State of Virginia. My principal contact is Mr. John Barrett of Pikeville, Kentucky. These parties have owned and managed this property for a very long time. This is a significant proposal covering all of their properties that are available for oil and gas leasing in the Commonwealth of Virginia, all being in Buchanan County.

So, it's not that we're talking about just a 100 acre lease here. We're talking about a major...a major commitment. And...and we do want to be in partnership with Columbia Natural Resources and make good things happen for them as well as my clients.

So, we'll be back here on the 16th, unless there is

some agreement to continue this matter again pending final negotiation of a lease. I'm not telling you we won't be back. But hopefully we won't be back to appear before you to request...for a request for a pooling. Thank you.

BENNY WAMPLER: Thank you.

DONALD R. JOHNSON: I appreciate the Board's approval of that...of this request.

BENNY WAMPLER: Any objection to continuing until next month?

CLYDE KING: Do we need a motion?

MAX LEWIS: No.

BENNY WAMPLER: No. We'll just continue it. If there's no objection---.

CLYDE KING: Continue.

BENNY WAMPLER: ---it's continued. Thank you.

MAX LEWIS: I object.

BENNY WAMPLER: You object.

(Everyone laughs.)

DONALD R. JOHNSON: Thank you, Mr. Lewis.

BENNY WAMPLER: He's just in an objectionable mood.

MAX LEWIS: That's right.

JIM KISER: Did you...Mr. Chairman---?

MAX LEWIS: Not on that...not the stipulation that

you had. That's the reason I object.

DONALD R. JOHNSON: What stipulations?

JIM KISER: Before we go off the record, could you, for my and my client's edification, review what happened on the matter that was called well 24542, which, I guess, was item thirteen earlier today?

BENNY WAMPLER: We approved it.

JIM KISER: You did approve it?

BENNY WAMPLER: We approved the application with a stipulation that you---.

JIM KISER: You just had a call for a vote or---.

BENNY WAMPLER: Max made a motion to approve---.

JIM KISER: All right, Max.

BENNY WAMPLER: ---and Mr. King seconded the motion. We had a vote and all three of us voted in favor.

JIM KISER: Very good. I appreciate that. Thank you.

BENNY WAMPLER: Thank you very much. Do you have anything?

BOB WILSON: No.

BENNY WAMPLER: We've continued eight items, add to whatever you have next month.

BOB WILSON: Next month could be a long day.

BENNY WAMPLER: Well, (inaudible).

JIM KISER: Hopefully.

BENNY WAMPLER: Okay. Enjoy. Thank you very much. Hearing is concluded.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

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

Given under my hand and seal on this the 3rd day of July, 2002.

NOTARY PUBLIC

My commission expires: August 31, 2005.