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IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY  
VIRGINIA GAS AND OIL BOARD

November 15, 2005

APPEARANCES:

**BOARD MEMBERS:**

- JOSE SIMON - GAS REPRESENTATIVE
- BILL HARRIS - PUBLIC MEMBER
- PEGGY BARBAR - PUBLIC MEMBER
- DONALD RATLIFF - COAL REPRESENTATIVE

**CHAIRMAN:**

- BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

**COUNSEL:**

- SHARON PIGEON - ASSISTANT ATTORNEY GENERAL
  
- BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND  
PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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1           BENNY WAMPLER: Good Morning. My name is Benny  
2 Wampler. I'm Deputy Director for the Department of Mines,  
3 Minerals and Energy, and Chairman of the Gas and Oil Board.  
4 I'll ask the Board members to introduce themselves with Mr.  
5 Simon.

6           JOSE SIMON: Jose Simon and I'm with Virginia  
7 Natural Gas and I'm the newest member.

8           PEGGY BARBAR: I'm Peggy Barbar, Dean of  
9 Engineering at Southwest Virginia Community College.

10          SHARON PIGEON: I'm Sharon Pigeon with the office  
11 of the Attorney General's office.

12          DONALD RATLIFF: I'm Donnie Ratliff representing  
13 the coal industry from Wise County.

14          BOB WILSON: I'm Bob Wilson. I'm the Director of  
15 the Division of Gas and Oil and Principal Executive to the  
16 staff of the Board.

17          BENNY WAMPLER: Okay. The first item on today's  
18 agenda is a petition from Hard Rock Exploration, Inc. for  
19 pooling of conventional gas unit HRVAE #12, PK K-20, docket  
20 number VGOB-05-0920-1502. We'd ask the parties that wish to  
21 address the Board in this matter to come forward.

22          JIM KAISER: Mr. Chairman and members of the Board,  
23 Jim Kaiser on behalf of Hard Rock Exploration. My witness,  
24

1 Mr. Stephens...twelve we don't have worked out anyway. We're  
2 still trying to work out some sort of voluntary agreement  
3 between a couple of other oil and gas lessees that are within  
4 that unit. So, we need to continue that one. Then as a  
5 matter of housekeeping, if we could...if I could refer you to  
6 item twenty-one on the docket, which is the last item, which  
7 is an additional force pooling application from Hard Rock.  
8 Since he's my witness and wasn't able to be here today, I'd  
9 ask that that one be continued to December also.

10 BENNY WAMPLER: Okay, that's docket numbers VGOB-  
11 05-1115-1539 and that will be continued also.

12 JIM KAISER: Thank you.

13 BENNY WAMPLER: The next item on the agenda is a  
14 petition from Melvin Jack Long appealing the decision of the  
15 Director of the Division of Gas and Oil to issue a permit for  
16 coalbed methane well VC-536078 and this is docket number  
17 VGOB-05-1018-1494. We'd ask the parties that wish to address  
18 the Board in this matter to come forward at this time.

19 JIM KAISER: Mr. Chairman and Board members, Jim  
20 Kaiser and George Heflin on behalf of Equitable Production  
21 Company.

22 JOHN JENKINS: I'm John Jenkins. I'm here on  
23 behalf of Melvin Jack Long. He's still not able to be here,

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1 but I'm here representing him today because this was  
2 continued the last time because of his health problems and  
3 he's still having problems.

4 BENNY WAMPLER: What was your name again?

5 JOHN JENKINS: John Jenkins.

6 BENNY WAMPLER: And what is your working  
7 relationship with Mr. Long.

8 JOHN JENKINS: I'm a co-owner of this property with  
9 Mr. Long and I also have the document to verify that I can...  
10 you know, can represent his behalf here also today.

11 BENNY WAMPLER: Do you have that with you?

12 JOHN JENKINS: I should have. The Director has a  
13 copy of it, I know.

14 BENNY WAMPLER: Do you have it?

15 BOB WILSON: I have a copy of the statement that  
16 was used for the informal hearing that gives Mr. Jenkins the  
17 authority to speak for Mr. Long. If you'll hang on a second  
18 here, I'll find it for you.

19 JIM KAISER: Yeah, I've got some questions for him  
20 on this whole issue.

21 BENNY WAMPLER: Okay.

22 JIM KAISER: I think that might be what you're  
23 looking for there.

24

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1           JOHN JENKINS: Yeah, I've got it. I just knowed  
2 he had it.

3           (Benny Wampler confers with Sharon Pigeon.)

4           BENNY WAMPLER: I can tell you, we're going to have  
5 some questions about your ability to represent, but we'll go  
6 ahead and get started.

7           JOHN JENKINS: Okay.

8           BENNY WAMPLER: We'll listen to you as the problems  
9 that you have...the objection you have and that Mr. Long has.

10          JOHN JENKINS: Okay.

11          BENNY WAMPLER: And you say...say again...did you  
12 say you are a co-owner or coal owner.

13          JOHN JENKINS: That's right. I'm a silent partner  
14 in this property of Mr. Long's. That's why I'm here  
15 representing him and in the past. I was the one that went to  
16 the other hearing. He was able to be at the Regional Hearing  
17 in this, but he wasn't able to be here at the one that was  
18 postponed the last time and he's not here today.

19          JIM KAISER: Mr. Chairman, we're going to object up  
20 front. I mean, he says he's a co-owner, but he's not a  
21 record title owner. He's a silent partner or something,  
22 whatever that means. So, he's not...he doesn't have any  
23 statutory right to, as a co-owner of the...as an actual of

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1 record co-owner of the property to represent him. As you  
2 know, there has been a recent opinion issued by the Attorney  
3 General's office regarding the unauthorized practice of law  
4 before the Virginia Gas and Oil Board. So---

5 BENNY WAMPLER: Okay.

6 JIM KAISER: ---I would like...I know you can't  
7 make motions or anything here, but I would just like to go on  
8 the record as stating that I don't see any reason to go any  
9 further because Mr. Jenkins doesn't have any right to  
10 represent Mr. Long's interest here. He's not a record owner  
11 of the property and he's not an attorney.

12 BENNY WAMPLER: I'll let you respond to that.

13 JOHN JENKINS: I disagree with that because this  
14 document gives me the right to as...as his representative.  
15 I'm not an attorney. No, I'm not an attorney. But he give  
16 me the authority since he's out of this region of the country  
17 to do this. This is why this document was...it has been  
18 properly documented and it has been notarized and it's a  
19 legal document. I do have the right to speak on behalf of  
20 Mr. Long. I am not an attorney, but I do have a right to  
21 speak on his behalf because he give me that authority.

22 JIM KAISER: Our position would be that document is  
23 fine for the informal hearing before Mr. Wilson on the

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1 objection, the original hearing before Mr. Wilson, the  
2 informal fact finding conference. But it does not pass  
3 muster to allow him to represent before...Mr. Long before the  
4 Board. I think that's clear.

5 BENNY WAMPLER: I typically don't defer to our  
6 attorney, but in this case we've got a clear legal situation  
7 here. So, I would ask---

8 SHARON PIGEON: I'm afraid that that document  
9 doesn't give you the power to appear before this Board. This  
10 Board is determined to be a legal tribunal. If you could use  
11 a power of attorney type of document, that would be in lieu  
12 of a license to practice law. That's not allowed. It  
13 did...it did allow you to speak on behalf of him at the  
14 informal proceeding, but as Mr. Kaiser noted, we have had a  
15 recent visitation of this very issue before the Board and it  
16 has been determined that only licensed attorneys may  
17 represent others. Now, he could have appeared and  
18 represented himself and that would have been appearance pro  
19 se. That's allowed. Even though that has been visited  
20 recently, that is not a new decision. That is the precedent  
21 that was in place before. It just has been revisited,  
22 however. If you appear on behalf of someone else, you must  
23 be licensed to practice law in the State of Virginia or

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1 appearing pro hac vice, which is another way an attorney can  
2 appear.

3           JOHN JENKINS: His...his health was the reason that  
4 he couldn't be here the last time and his health is the  
5 reason he's not here today. His health problems is the  
6 reason he's not here.

7           SHARON PIGEON: Well, then perhaps you could ask  
8 for a continuance of that reason and I don't know whether the  
9 Board will want to grant---.

10           JOHN JENKINS: Well, they...the last time...they  
11 agreed to the continuance the last time and he is...as us as  
12 lay people, we have no knowledge of this, you know, of what  
13 you're talking about because we're trying to make our  
14 statement on to this Board why we are objecting to this.  
15 Like I said, we're not attorneys, but we are people as trying  
16 to do what we need to do to protect our interest. So, under  
17 those circumstances, we would ask that you would give us time  
18 to do this because we don't have the, you know, expertise.

19 We're not attorneys. Undoubtedly, you see that. But we  
20 still have a right as individual owners, even though his  
21 objection is that I'm not verifying that I'm, you know, in  
22 the Court records in Clintwood as a partner in this property.

23 But in the informal hearing, he told the Director that I had  
24

1 the authority to represent him in any and all of these  
2 matters, as well as this Equitable Resources, he told them  
3 that as well in the Board meeting. So...that I had, you  
4 know, as a...as a co-owner in this, had a right to speak in  
5 his behalf. But in your case, you're saying that I don't  
6 have it because I'm not an attorney. So, in that respect  
7 we'd ask that you...that you all give us enough time to get  
8 this put together to where we can do it properly because  
9 we're just lay people, we have no expertise in that.

10 BENNY WAMPLER: We'll continue it. I would like to  
11 hear what you've done to work on the location while you're  
12 here.

13 GEORGE HEFLIN: Okay. We---.

14 JIM KAISER: Can we...is there anyway we can argue  
15 against a continuance?

16 BENNY WAMPLER: Yeah, you can argue against it.

17 JIM KAISER: I mean, they've known since...I don't  
18 know when...you know, when this thing was scheduled. The  
19 informal hearing was May the 24th. We continued it last  
20 month because he couldn't be here. That very same week, we  
21 know that Mr. Long was on the property, so he couldn't been  
22 too ill. He lives in North Carolina. That's why he's using  
23 Mr. Jenkins to represent him because I'm sure it is kind of a

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1 pain for him, you know, to commute over here from North  
2 Carolina. But this is just another stalling tactic. But, I  
3 guess, we're between a rock and a hard place now. If he  
4 can't represent him, then they can't present their case.

5 JOHN JENKINS: Let me...let me answer this, if I  
6 could.

7 JIM KAISER: You know, Mr...wait a minute. Mr.  
8 Long certainly could have sent a message to the Board or  
9 somebody saying he was sick and couldn't be here.

10 BENNY WAMPLER: Well---.

11 JIM KAISER: I mean, we...you know, we've met our  
12 burden.

13 BENNY WAMPLER: I mean, we'll certainly let---.

14 JIM KAISER: We need to drill this well. We need  
15 to go forward.

16 BENNY WAMPLER: We'll certainly let the Board vote  
17 on this matter of continuance before anything else is said.  
18 But, you know, I'll state my opinion, from the first, we've  
19 sat here as a Board and said...as far as I know, and said  
20 legally, you cannot represent Mr. Long. Therefore, I'm not  
21 comfortable saying, we're going to deny a continuance and go  
22 on with the hearing because that's...that's the first time  
23 this body has said...and I'm saying this knowing that I'm

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1 probably have some influence by saying it before the vote.  
2 But that's just how I feel about it. That now he'll leave  
3 here with all the facts on the table and can come back or not  
4 come back with legal representation and the Board will be  
5 clear with how it handles it. But having said that, as to a  
6 continuance, what say the Board?

7 DONALD RATLIFF: I move that we continue it, Mr.  
8 Chairman.

9 BENNY WAMPLER: I have a motion to continue.

10 JOSE SIMON: Second.

11 BENNY WAMPLER: Second. Any further discussion?  
12 (No audible response.)

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

15 (All members signify by saying yes.)

16 BENNY WAMPLER: Opposed, say no.

17 (No audible response.)

18 BENNY WAMPLER: You have a continuance.

19 JOHN JENKINS: Thank you, sir.

20 BENNY WAMPLER: Thank you.

21 JIM KAISER: When is the next Board hearing, the  
22 15th or the 13th?

23 BENNY WAMPLER: 13th.

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1           BOB WILSON: 13th.

2           BENNY WAMPLER: It will be December the 13th is the  
3 next hearing. It's continued until December the 13th.

4           (Bill Harris enters the room.)

5           BENNY WAMPLER: Okay. The next item on the agenda  
6 is a petition from Tony McClanahan and others appealing the  
7 decision of the Director of the Division of Gas and Oil to  
8 issue a permit for conventional well CNR 825404. This is  
9 docket number VGOB-05-1115-1540. We'd ask the parties that  
10 wish to address the Board in this matter to come forward at  
11 this time. Good morning.

12           TONY McCLANAHAN: Good morning.

13           BENNY WAMPLER: Just go ahead and state your name  
14 for the record, please.

15           TONY McCLANAHAN: My name is Tony S. McClanahan.

16           BENNY WAMPLER: I'll go ahead and get you---.

17           JIM KAISER: Jim Kaiser and Jason Stidham and  
18 Robert Marsh on behalf of CNR.

19           JASON STIDHAM: Jason Stidham, Columbia Natural  
20 Resources, Senior Drilling and Production Engineer.

21           BENNY WAMPLER: Okay, Mr. McClanahan, we'll let you  
22 go ahead and tell us your objection.

23           TONY McCLANAHAN: Well, I received a letter from  
24

1 Mr. Wilson on his decision. In that letter, he quoted some  
2 law from the Gas and Oil Division. It states that...in that  
3 that the Board cannot make a ruling on inadvertently  
4 affecting the interest in somebody's part. We have several  
5 people here that ain't listed that has complained. We...we  
6 don't know what minerals is there on this piece of property.  
7 You have coal, oil and salt. There's several different  
8 minerals that's involved here. We don't know what damage  
9 this drilling might do unless Columbia can give us a 100%  
10 guarantee that...that they'll cover all liabilities for this.  
11 I don't see how---

12 BENNY WAMPLER: We need to get you sworn in if  
13 you're going to start testifying. Let's get all of them  
14 sworn in.

15 (Tony McClanahan, Jason Stidham and Robert Marsh  
16 are duly sworn.)

17 BENNY WAMPLER: Go ahead. Do you affirm that what  
18 you've said before is the truth and nothing but the truth?

19 TONY McCLANAHAN: Yes.

20 BENNY WAMPLER: Okay. Go ahead.

21 TONY McCLANAHAN: That area is somewhat explored,  
22 but they could be possibly a lot of other minerals there that  
23 this well can effect on this property, resources that is

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1 unknown at this time. I don't see how that somebody  
2 can...this Board could rule in favor of the gas company going  
3 ahead and drilling this with this type of liability not  
4 protected.

5 BENNY WAMPLER: Mr. Kaiser.

6 JIM KAISER: Mr. McClanahan and the other parties  
7 that appealed Mr. Wilson's decision are co-owners. This is a  
8 conventional well. I'll refer the Board both to Mr. Wilson's  
9 order denying the objection and the transcript of the hearing  
10 where we explained the coal seam casing program, the string  
11 of coal seam protection casing that we set. There won't be  
12 any fracturing of the coal seams. Again, it's a conventional  
13 well. Production will be from beneath any of the coal seams.  
14 I don't see how in any way, shape or form the drilling of  
15 this conventional well will damage or harm his coal.

16 TONY McCLANAHAN: We're not talking about just coal  
17 though in this process. We're talking about other resources  
18 that's there, you know, that's unknown...what's unknown plus  
19 what that we know that's there. You have water tables...  
20 several, several aspects to this that can be---

21 JIM KAISER: We also explained the water string  
22 casing program, protection string for water.

23 TONY McCLANAHAN: Yeah, but it has already been  
24

1 proven that---.

2           JIM KAISER: We explained how we tested the water  
3 and if we adversely effected the water, we'd correct it.

4           TONY McCLANAHAN: Yes, sir, I know that. But  
5 there's a lot of wells that went dry where...where these gas  
6 wells has gone in because they is people crying for water in  
7 Buchanan County right now where the wells have been drilled.  
8 Unless Columbia---

9           BENNY WAMPLER: You don't own the surface, right?  
10 Do you own the surface? Just the co...you're a coal owner  
11 and you don't own the surface?

12           TONY McCLANAHAN: No, we own surface too.

13           BENNY WAMPLER: In the area where the well is being  
14 drilled?

15           TONY McCLANAHAN: Yes.

16           BENNY WAMPLER: Are you drilling on his surface?

17           JIM KAISER: No.

18           JASON STIDHAM: No.

19           BENNY WAMPLER: Let your witness---

20           JIM KAISER: I'm sorry. Jason?

21           JASON STIDHAM: No, sir.

22           BENNY WAMPLER: Tell us a little bit about who you  
23 are and what you do.

24

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1 (No audible response.)

2 JASON STIDHAM: Like I said, I'm Jason Stidham,  
3 Senior Drilling Engineer and Production Engineer for Columbia  
4 Natural Resources. Right now, my job is to not only stake  
5 the wells, but what roads and supervise the construction,  
6 drilling and completion of all of Columbia's wells that are  
7 handled out of the Prestonsburg Southwest Region office.

8 For this particular well here, I have the permit  
9 application in front of me. Mr. McClanahan, we went down and  
10 had the informal hearing, his main concern was doing damage  
11 to the coal seams that are in place there.

12 JIM KAISER: By how you were fracturing?

13 JASON STIDHAM: Yes. Well, I mean, by...by any  
14 type of means, you know, that our well would hinder the  
15 recover ability of the coal that's in place there.

16 TONY McCLANAHAN: Other liabilities was brought up  
17 at that meeting though besides the coal. Was it not, Mr.  
18 Wilson?

19 BOB WILSON: The Board has a transcript...I think  
20 we all have copies of the transcript here.

21 TONY McCLANAHAN: On the water and stuff like that.

22 JIM KAISER: Any objection Mr. McClanahan made was  
23 fully addressed.

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1                   JASON STIDHAM: You know, as far as the..as far as  
2 the water, we explained, you know, statewide requirements for  
3 us to sample all water sources within 750 feet of the well  
4 bore...the proposed well bore. We have an in-house policy  
5 that we go a step further and actually go a 1,000 feet out.  
6 If need be and we see it fit, if we go a 1,000 feet away and  
7 can't find a significant water source, you know, to go ahead  
8 and test prior to construction and drilling, we would go  
9 further than that and we explained that to Mr. McClanahan,  
10 that we would be happy to test his water in any way, shape or  
11 form prior to construction and the actual drilling of the  
12 well and if need be, do a post...a post test as far as the  
13 water quality goes and in sense kind of leave it up to him  
14 where we could do not only a quality test, but the quantity  
15 test, if he so desires.

16                   TONY McCLANAHAN: But this is an unexplored area  
17 and it's not feasible for me to run down there and drill a  
18 5,000 foot well to find out what's there in the water  
19 reserve. You're talking surface water that you're  
20 monitoring. I'm talking about water that's in reserve that I  
21 know the water plain for like Louisiana and these places come  
22 from this area in the...in the area of 5,000 or 6,000 feet  
23 down, you've got reservoirs there.

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1           JASON STIDHAM: Well, I mean, there is...there is  
2 underground salt water, you know, that's in place whether it  
3 be in the rock strata or coal seams. But, you know, the way  
4 we drill our wells, it's advantageous for us to not only use  
5 the 7 inch intermediate string of the coal protection string,  
6 but we also use it as a salt water protection string. When  
7 we drill underneath our intermediate string, our intent is to  
8 drill the hole dry. You know, with us having to attempt  
9 to...or actually physically drilling the hole dry, as far as  
10 damaging salt water---

11           TONY McCLANAHAN: Well, you...still there may be  
12 reserves on below the level that you're going to. But when  
13 you frac that ground, it may entail going into them. You  
14 don't know what's on below that.

15           JASON STIDHAM: But we choose not to drill that.  
16 That's not what this well is for.

17           TONY McCLANAHAN: Well, you're choosing to frac it  
18 though, which cracks the ground, which may damage that area,  
19 that's what I'm saying. You're talking minerals that's  
20 unexplored here and resources.

21           JASON STIDHAM: We've drilled the test well...a  
22 10,000 foot test well, which is direct offset to this  
23 proposed well, and did not encounter any salt water

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1 formations, you know, there from where the well is proposed  
2 to...to that 10,000 foot level. So, I mean, there is  
3 information in the area as far as that goes. But like I  
4 said, I mean, the hydraulic fracturing, if...and we...you  
5 know, we tried to address this there in the actual informal  
6 hearing. If...you know, if you go out there and you form a  
7 hydraulic fracture, you know, the way we stimulate wells  
8 today, and this one in particular, we're doing not only  
9 single stages but, I mean, we're doing multiple stage work so  
10 that if you had interconnectability from one rock strata to  
11 another rock strata, we wouldn't be able to physically  
12 perform our stimulation work like we do. I mean, that's like  
13 saying you...you know, you perform a hydraulic fracture at  
14 5500 feet and it comes to the surface. I mean, that's  
15 just...that's not heard of. It just doesn't happen.

16 TONY McCLANAHAN: You have adequate room on the  
17 property that you're drilling on to drill this well in  
18 another location that it will not effect this heirship  
19 property that you're bumping up against.

20 JASON STIDHAM: We explained that there also to  
21 you.

22 TONY McCLANAHAN: I know you did.

23 JASON STIDHAM: Where...where the physical well  
24

1 bore is placed at itself, it goes through and it has to do  
2 with the...where the original objection come from, to my  
3 knowledge, has to do with the splashdam coal seam. In this  
4 splashdam coal seam where our well bores are actually  
5 physically placed at, it's in a mine section of the splashdam  
6 seam, but it's also in a pillared section of the splashdam  
7 seam. So, our---

8           TONY McCLANAHAN: Well, it has been pillared all  
9 the way down that property. So, therefore, you'd have  
10 adequate room to move this well, I mean, if you chose to. I  
11 know it ain't cost efficient because this is a level spot  
12 that's on this strip bench. But yet you have the room to do  
13 this.

14           JASON STIDHAM: Well, the well site is chosen due  
15 to number one, statewide spacing, but also...I mean, you're  
16 tracking that same, you know, surface topography. I mean, we  
17 go out there and try and maximize---

18           TONY McCLANAHAN: Your costs. I know what you're  
19 saying.

20           JASON STIDHAM: Well, no, not only that. But, you  
21 know, our drilling program is based on maximizing our return,  
22 you know, produce gas, not only for the royalty owner, but  
23 for our self. I mean, that's---

24

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1           TONY McCLANAHAN: Well, it's costs, you know, what  
2 you're basing it on.

3           JIM KAISER: Let me...let me interject here and, I  
4 think, give you a little history. Hopefully, everybody on  
5 the Board has read Mr. Wilson's decision and maybe even the  
6 transcript, I don't know. But, hopefully, everybody has at  
7 least read the decision. There were three sets of objections  
8 to this well. One was the McClanahan heirs objecting as coal  
9 owners, okay.

10          TONY McCLANAHAN: We're also property owners there.

11          JIM KAISER: Well, fine. Then we had a group of  
12 surface owners who objected, but did not do so in a timely  
13 fashion, but they worried about their groundwater. So, even  
14 though their objections were dismissed for failure to file  
15 them in a timely fashion, we did go through...in the  
16 transcript, you'll see an elaborate explanation of the water  
17 string casing protection plan. They didn't appeal. So, they  
18 were obviously satisfied.

19                 Then we had an objection from Rapoca Energy Company  
20 as a coal owner that was, for a lack of a better term, a  
21 little bit more sophisticated and had to do with some old  
22 mines and blah, blah and blah. Well, they're not here  
23 appealing either.

24

--

1           Read the decision. I don't know what else to say.  
2 I mean, it's a conventional well. We're not fracing any  
3 coal seams. We have explained and in the permit have  
4 included what...what both our coal seam protection plan is  
5 and what the water protection string of casing will be. It  
6 has worked on hundreds and hundreds of wells in Southwest  
7 Virginia. We're not doing anything different.

8           BENNY WAMPLER: How far below the lowest...the coal  
9 seam that he owns is the activity occurring?

10          JIM KAISER: I'm going to guess about 2500 feet  
11 anyway.

12          BENNY WAMPLER: I don't see that in here  
13 specifically. I'm just trying to get at---

14          DONALD RATLIFF: There's four holes.

15          BENNY WAMPLER: Then I'm going to ask you how  
16 far...how far your frac might possibly go up.

17          JASON STIDHAM: Our...our coal protection string is  
18 proposed to be set at 2100 feet...about 2150.

19          JIM KAISER: I think he's asking you what your TD  
20 is.

21          JASON STIDHAM: TD is 5750.

22          BENNY WAMPLER: And your frac design would  
23 penetrate upward, a maximum of what?

24

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1           JIM KAISER: The fracs are horizontal.

2           BENNY WAMPLER: Well---.

3           JASON STIDHAM: I mean, usually...it all depends on  
4 the type of rock---.

5           TONY McCLANAHAN: Material.

6           JASON STIDHAM: No, the rock strata itself. I  
7 mean, it's very sophisticated. There's no way to actually  
8 predict exactly what bedding plain you're going to frac on.  
9 But in this particular well here the...considering all the  
10 offset wells and what we've done there in the area, the  
11 closest formation to surface that we can possibly frac is at  
12 3200 feet. You know, we've permitted more because, I mean,  
13 when we permit theirs, there's always chances of picking up  
14 additional gas zones that you don't see in an offset well  
15 bore. And, you know, we're required to go ahead and permit  
16 and show as such. So, there is additional zones in there  
17 that have a chance of bearing gas. But there's significant  
18 isolation between where the deepest coal seams are and any  
19 type of fracturing that we would do. The other thing, I just  
20 wanted to go ahead and explain, we tried to explain this in  
21 the informal hearing there also, as far as

22 interconnectability goes between formations, when we set our  
23 production string four and a half casing and we cement it in,

24

--

1 there is a void space between where the cement tops that  
2 going back to surface sometimes. So, there is not a complete  
3 cement column that would tie back into our 7" casing. If we  
4 were to perform an hydraulic fracture, we would notice  
5 interconnectability coming up the angular space between that  
6 four and a half and seven inch pipe before it would ever get  
7 back to surface. I mean, that would be the path of least  
8 resistance. So, as far as guaranteeing growth height, I  
9 mean, there is no way you can guarantee growth height. But  
10 we couldn't perform our work if what Mr. McClanahan was  
11 suggesting would happen because we physically could not keep  
12 our hydraulic fracture in place.

13 TONY McCLANAHAN: But you can't say with assurance  
14 that---.

15 JASON STIDHAM: Yes, I can say with assurance that  
16 it would not affect the coal because it would come up the  
17 angular space before it would come up through the ground. It  
18 would be the path of least resistance.

19 TONY McCLANAHAN: But we're talking other minerals  
20 here too. There's other minerals that's unexplored and stuff  
21 and that's my interest too. It's just not based on...on coal  
22 reserve.

23 BENNY WAMPLER: Questions from members of the  
24

1 Board?

2                   JOSE SIMON: I've got a question, Mr. Chairman. Do  
3 you own all those other minerals or just the coal?

4                   TONY McCLANAHAN: Yes, we own coal and minerals on  
5 this property. The coal in some of properties that we own.  
6 There's like a 1,000 acres in here that some of the coal has  
7 been leased, but this section here is a private owned block  
8 of coal between the family.

9                   JIM KAISER: What other minerals are you talking  
10 about, Mr. McClanahan, that might be effected by the drilling  
11 of this gas well?

12                   TONY McCLANAHAN: Well, we know that there's gold  
13 in the coal. There's possibly diamonds, emeralds. There's a  
14 enumerable amount of things that can be explored there  
15 because it is on a fault line. If you study the history of  
16 your emeralds and stuff like that, they...they lay where this  
17 ground is faulted up. This fellow in North Carolina, that's  
18 what he hunted for and is mining emeralds right now on his  
19 property. That's what I say, you don't...you really don't  
20 know, you know, until it's explored.

21                   JOSE SIMON: I have another question. Has any of  
22 that been found on any properties around here?

23                   TONY McCLANAHAN: They know that the coal...the  
24

1 coal contains so much gold because United done a study when I  
2 worked for them down there on the feasibility of taking the  
3 gold out of the coal, which was in...inconsistent with their  
4 production of the coal because it would have slowed the coal  
5 process down. But, yes, they are known to be gold in...in  
6 coal.

7           JIM KAISER: Again, let me remind you, this is a  
8 conventional well and no coal seams are going to be fraced.  
9 There will be no damage to his coal. Remind you again, for  
10 some of you new Board members, there's even testimony on  
11 record in Bob Wilson's office from a prior hearing several  
12 years ago from an applicant before the Board, that even in a  
13 coalbed methane well when you frac the coal that it doesn't  
14 damage the coal, okay?

15           TONY McCLANAHAN: But you're dwelling just on coal.  
16 But I'm saying there's other minerals there.

17           JIM KAISER: You said the other minerals were in  
18 the coal, didn't you?

19           TONY McCLANAHAN: Some of them is in the coal, yes.  
20 The gold is in the coal. They done...they done know that.  
21 But there could be other minerals there that could be  
22 destroyed by this...this well. Unless Columbia can give us a  
23 written guarantee that they'll protect our interest in this,  
24

1 I don't see how the Board can go ahead and approve this well.

2 JASON STIDHAM: There's just one thing, I guess, I  
3 want to address. As far as when you actually frac a coal bed  
4 or a coal seam, you're fracturing it to degas the coal whether  
5 it be to facilitate mining or just to recover the actual  
6 coalbed methane there, you physically do not change the coal  
7 itself. You don't turn it...you don't turn it...you don't  
8 turn...when you perform a hydraulic fracture, you don't turn  
9 coal---.

10 TONY McCLANAHAN: But if you can't recover that  
11 coal because of the frac, it has damaged the top and the  
12 bottom---.

13 JASON STIDHAM: But---.

14 TONY McCLANAHAN: ---to where you can't recover it,  
15 then you've lost...lost money.

16 JASON STIDHAM: That's...that's not the case  
17 because...I mean, when you monitor CNXs longwall mining  
18 operations, you know, they physically go out there and drill  
19 coalbed wells ahead of the longwall mine to degas the coal to  
20 make it a safer operation and then come back through and mine  
21 through those existing coalbed wells. So---.

22 TONY McCLANAHAN: Right.

23 JASON STIDHAM: ---it doesn't...it doesn't hurt the  
24

1 mining. It's...the coal is still recovered. It's just  
2 recovered in a safer manner.

3 TONY McCLANAHAN: For a shaft mine, I would agree.

4 But if this is a conventional mine, it may hurt because they  
5 have not got the equipment to put in this mine---

6 JIM KAISER: We're getting way off track here.

7 TONY McCLANAHAN: ---to...to mine it with  
8 feasibility. Do you know what I'm saying?

9 JASON STIDHAM: I understand. I mean, there's  
10 different practices of mining.

11 TONY McCLANAHAN: Yeah.

12 JASON STIDHAM: But it's all in...Robert could talk  
13 on that. I mean, there's different recovery methods, but  
14 the actual physical taking the coal out of the ground is  
15 still the same.

16 BENNY WAMPLER: I don't think we need anymore  
17 testimony on that. I think we have before us what we can  
18 consider. Any other questions from members of the Board?

19 BILL HARRIS: Mr. Chairman, let me just ask---

20 BENNY WAMPLER: Mr. Harris.

21 BILL HARRIS: ---one...I'm Bill Harris, a public  
22 member from Wise County. Let me ask about the strings that  
23 you drill. Have you all had some experiences in the past

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1 where those things have fractured and had problems, and if  
2 so, what...what happens if that's the case, because you're  
3 talking two...two lines, right, a four and a half and then a  
4 seven?

5 JASON STIDHAM: Yeah.

6 BILL HARRIS: So, there's...so, there's a space  
7 between those. So, when you did your fracture, is that done  
8 at the bottom or is it done midway---

9 JASON STIDHAM: Yes.

10 BILL HARRIS: It's done at the bottom?

11 JASON STIDHAM: When you...when you...when you  
12 drill a well, you know, you drill to a certain depth and  
13 that's the lowest formation that you want to produce gas  
14 from.

15 BILL HARRIS: Okay.

16 JASON STIDHAM: And when you perform a hydraulic  
17 fraction, you work your way from bottom up. So, you start at  
18 the deepest seam first and then work your way on up. You  
19 know, in order to physically...like when you drill the well  
20 you'll have...what we do is we have a six and three-  
21 eights...six and a quarter inch hole that you run four and a  
22 half casing down in and you cement that up in to cover your  
23 uppermost gas seam---

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1           BILL HARRIS: When you say cement, you mean a round  
2 of casing?

3           JASON STIDHAM: That's correct. Yeah, you pump it  
4 down through the middle and then back up the outside.

5           BILL HARRIS: Okay.

6           JASON STIDHAM: Before you could ever perform any  
7 type of fracture, you would have to have cement coverage to  
8 isolate where you want to---.

9           BILL HARRIS: That would prevent things from coming  
10 up...back up your...on the outer side of your string, okay.

11          JASON STIDHAM: And like I say, I mean, you know,  
12 if...if that were to happen, you know, and it would work its  
13 way up...that's what I tried to explain, we would actually  
14 physically see that on the surface and it would come up our  
15 angular space before it would ever works its way up to the  
16 ground.

17          BILL HARRIS: Angular space, explain that again.

18          JASON STIDHAM: The space between the---.

19          BILL HARRIS: In middle...that's what you're  
20 calling it, the space in between those---.

21          JASON STIDHAM: Yeah, the space between the four  
22 and a half inch casing and the seven inch casing.

23          BILL HARRIS: Now, have you had rupture problems in  
24

1 the past? I'm sure that this isn't a 100% perfect. But do  
2 you have any kind of...I mean, what kind of problems have you  
3 seen in the past that may effect---?

4 JASON STIDHAM: I mean, there has been times where  
5 you've had---.

6 BILL HARRIS: I mean, blowouts of---.

7 JASON STIDHAM: We've had cement jobs fail. Like I  
8 said, you know, you physically control that at the surface  
9 then if it does...if that pressure release does come up to  
10 surface, it's handled in a controlled manner, blowing it down  
11 and getting rid of the...you know, the pressure from the  
12 hydraulic fracture itself.

13 BENNY WAMPLER: Your ownership is in the splashdam  
14 seam?

15 TONY McCLANAHAN: In all seams.

16 BENNY WAMPLER: All seams?

17 TONY McCLANAHAN: Yeah, we own all the mineral.

18 DONALD RATLIFF: Down to the raven?

19 TONY McCLANAHAN: All the way down to the middle of  
20 the earth or wherever it goes to. All mineral on the  
21 property on that specific tract, you know, because we've got  
22 several tracts in...in that area. I'd like to thank the  
23 Board for listening to me. I appreciate it.

24

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1           BENNY WAMPLER: Any other questions from members of  
2 the Board?

3           (No audible response.)

4           BENNY WAMPLER: Is there a motion?

5           DONALD RATLIFF: Mr. Chairman, I move that we  
6 confirm the decision of the Director.

7           BENNY WAMPLER: Do I have a second?

8           PEGGY BARBAR: Second.

9           BENNY WAMPLER: Second. Any further discussion?

10          (No audible response.)

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

13          (All Board members signify by saying yes.)

14          BENNY WAMPLER: Opposed, say no.

15          BENNY WAMPLER: You have approval. The Director's  
16 decision is upheld. That is appealable in Circuit Court.

17          TONY McCLANAHAN: Okay, we'll be appealing it.

18          BENNY WAMPLER: Thank you.

19          TONY McCLANAHAN: Thank you.

20          BENNY WAMPLER: The next item on the agenda is a  
21 petition from CNX Gas Company, LLC for pooling of coalbed  
22 methane unit AZ-138, docket number VGOB-05-1115-1523. We'd  
23 ask the parties that wish to address the Board in this matter  
24

1 to come forward at this time.

2 BOB WILSON: Mr. Chairman...Mr. Chairman.

3 BENNY WAMPLER: Mr. Wilson.

4 BOB WILSON: For the record, this docket number  
5 should actually be 05-1115-1523. We inadvertently gave out  
6 the incorrect docket number on that. However, the notice  
7 requirements and everything are met without the...I think we  
8 can just administratively change that docket number. It will  
9 be filed as 1523. The 1524 number had already been used.

10 BENNY WAMPLER: Thank you. 1522.

11 BOB WILSON: I'm sorry, 1522, yes.

12 MARK SWARTZ: Mark Swartz and Les Arrington. I  
13 need you folks to state your name for the record, please.

14 BARBARA PAULEY: I'm Barbara Pauley.

15 GLEN TAYLOR: Glen Taylor.

16 BENNY WAMPLER: The way we do it is we'll have them  
17 to present their case and then we'll give you an opportunity  
18 to ask any questions you have and make any statements you  
19 have. Mr. Swartz, you may proceed.

20 MARK SWARTZ: I need to get Mr. Arrington sworn  
21 here.

22 (Barbara Pauley, Glen Taylor and Leslie K.  
23 Arrington is duly sworn.)

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LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name for us.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company.

Q. What do you do for them?

A. Manager of environmental and permitting.

Q. Did you either prepare all of the notices of hearing and application and related exhibits with regard to the hearings on the docket for CNX today or have them prepared under your direction?

A. Yes, I did.

Q. And did you sign all of the notices and all of the applications?

A. Yes, I did.

Q. And in each case, who's the applicant?

A. CNX Gas Company.

Q. And in each case where there's a designated

1 operator being requested, who is it that CNX is requesting be  
2 the designated---?

3 A. CNX Gas.

4 Q. Okay. Is CNX Gas Company a limited  
5 liability company?

6 A. Yes.

7 Q. And is it a Virginia Limited Liability  
8 Company?

9 A. Yes.

10 Q. Is it an indirect subsidiary of Consol  
11 Energy, Inc.?

12 A. Yes.

13 Q. Is CNX authorized to do business in the  
14 Commonwealth?

15 A. Yes.

16 Q. Okay. Does CNX have a blanket bond on file  
17 with DMME and is it registered with the DMME?

18 A. Yes, it is.

19 Q. With regard to AZ-138, what did you do to  
20 notify people that there would be hearing today?

21 A. It was mailed by certified mail return  
22 receipt requested on October the 14th, 2005 and published in  
23 the Bluefield Daily Telegraph on October the 21st, 2005.

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1 Q. And have you filed today with Mr. Wilson  
2 proofs in regard to mailing and publication?  
3 A. Yes, we have.  
4 Q. And when you published what...what got  
5 published in the paper  
6 A. The notice and the attached location map.  
7 Q. Okay. The big map that's part of the  
8 (inaudible) basically?  
9 A. Yes.  
10 Q. Okay. There are some revised exhibits---?  
11 A. Yes.  
12 Q. ---with regard to AZ-138?  
13 A. Yes, and that reflects the VGOB number  
14 change.  
15 Q. Okay. So, the only revision really are 4, 5  
16 and 6 and you've got the numbers straightened out?  
17 A. Yes.  
18 Q. Okay. And the number just changed, to  
19 repeat what Mr. said, from 22 to 23, the last two digits?  
20 A. Yes.  
21 Q. Okay. Do you want to add any respondents  
22 today?  
23 A. No.

24

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1 Q. Do you want to dismiss any?

2 A. No.

3 Q. Okay. Have you indicated the interest that

4 CNX has acquired in Exhibit A, page two?

5 A. Yes, we have.

6 Q. And what...what interest has CNX acquired?

7 A. 83.793% of the coal, oil and gas owner's

8 claim to coalbed methane. We're seeking to pool 16.2070% of

9 the coal, oil and gas owner's claim to coalbed methane.

10 Q. Okay. And with regard to this unit, in

11 particular this is a Middle Ridge unit?

12 A. Yes, it is.

13 Q. It has how many acres?

14 A. 58.74.

15 Q. And how many wells are you proposing?

16 A. One.

17 Q. And what kind of well is that going to be?

18 A. Coalbed methane well.

19 Q. And is it going to be fraced or unfraced?

20 A. Yes, fraced.

21 Q. Okay. And is it going to be located inside

22 or outside the window?

23 A. Within.

24

1 Q. Okay. And the plat reflects that?  
2 A. Yes.  
3 Q. Okay. Have you provided a cost estimate  
4 with regard to this well?  
5 A. Yes, we have. It's \$245,637.51 to a depth  
6 of 2,624 feet.  
7 Q. Has this well been permitted yet?  
8 A. No, I don't think so.  
9 Q. Okay. Are there some escrow requirements?  
10 A. Yes, it is.  
11 Q. Okay. Do you have some addresses unknown  
12 issues?  
13 A. I believe we do.  
14 Q. And are those in Tracts 3, 4, 5 and 6?  
15 A. Yes.  
16 Q. And then there's just some traditional  
17 conflicts escrow requirements?  
18 A. In---.  
19 Q. And you filed an Exhibit E with regard to  
20 those?  
21 A. Yes.  
22 Q. And what tracts would the traditional  
23 conflicts pertain to?  
24

1           A.       2A, 2B and 2C.

2           Q.       Okay.  And there is no Exhibit EE, which  
3 would indicate that, at least at this point, there are no  
4 split agreements?

5           A.       I'm not sure.  I believe...yes, there is a  
6 EE.

7           Q.       Oh, there is.  Okay.  What are the tracts  
8 that affects?

9           A.       Tract 1.

10          Q.       And are you requesting that in the event  
11 that the Board pool this unit, that the designated operator  
12 be authorized to pay the folks who have split agreements  
13 directly rather than escrowing funds and to make payments  
14 consistent with their...with the terms of their split  
15 agreement?

16          A.       Yes, we would.

17          Q.       Okay.  Is it your opinion that the  
18 development plan, which is to develop coalbed methane in and  
19 under this unit, which is disclosed by the exhibits and  
20 discussed to some extent today in your testimony, that that's  
21 a reasonable plan to develop coalbed methane in and under  
22 unit AZ-138?

23          A.       Yes, it is.

24

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1 Q. And is it your further testimony that, in  
2 your opinion, if you combine the leasing activities, which  
3 you've been able to lease more than 80% of the claimants and  
4 owners in this unit, with a Board order pooling roughly 16%  
5 of the owners, that those two things would serve to protect  
6 the correlative rights of all owners and claimants?

7 A. Yes, it will.

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

9 BENNY WAMPLER: Questions from members of the  
10 Board?

11 (No audible response.)

12 BENNY WAMPLER: Okay, we'll hear from you folks.

13 GLEN TAYLOR: What...what really I don't  
14 understand, I'm a very small shareowner in 3, 4, 5 and 6. I  
15 don't really understand the pooling exactly. I would like  
16 that explained to me.

17 (Sharon Pigeon confers with Benny Wampler.)

18 BENNY WAMPLER: Mr. Swartz, do you want to discuss  
19 that since you're applying?

20 MARK SWARTZ: There's a Virginia law that was  
21 passed in 1990 that allows people who want to develop their  
22 gas to come before this Board and say, "we want to develop  
23 our gas, but we can't get everybody to agree. We would like  
24

1 to go ahead and develop the gas for everybody with your  
2 permission." Basically, what you're seeing here is we've got  
3 leases from almost 84% of the owners and there are about 16%  
4 of the people that, for whatever reason, we don't have an  
5 agreement from. Sometimes people will say, you know, go  
6 ahead and drill the well. We just don't want to sign a  
7 lease. So, they're not really against it. They just haven't  
8 entered into an agreement. So, I don't know what the...you  
9 know, what this 16% has in mind. But what we're asking the  
10 Board to do is we're coming to them and saying, "look, 84% of  
11 the people in this unit want to go ahead and drill this well  
12 and get some money out of it and 16%, for whatever reason,  
13 haven't joined in that request."

14 GLEN TAYLOR: Okay. Right there.

15 BARBARA PAULEY: That's what to---.

16 GLEN TAYLOR: Get the money out of it.

17 MARK SWARTZ: Say what?

18 GLEN TAYLOR: You said, "Get the money out of it."

19 MARK SWARTZ: Right.

20 GLEN TAYLOR: Right.

21 MARK SWARTZ: Why else would you drill the well?

22 GLEN TAYLOR: Well, that's right. I understand  
23 that.

24

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1           MARK SWARTZ: Yeah.

2           GLEN TAYLOR: I'm not...I'm not against you.

3           MARK SWARTZ: Okay.

4           GLEN TAYLOR: I just wanted it explained to me  
5 because I have never been faced in this kind of a situation.

6           MARK SWARTZ: Where...where are you on the Exhibit  
7 E? Can you find that for me? Give me the page number.

8           GLEN TAYLOR: I'm in the P. J. Brown heirs.

9           BARBARA PAULEY: This---.

10          GLEN TAYLOR: We're number 4.

11          MARK SWARTZ: Well, actually, what I'm looking for  
12 is where...where are your names in this---?

13          BARBARA PAULEY: Okay. We are---.

14          MARK SWARTZ: ---...in this list here?

15          BARBARA PAULEY: ---under the Hannah A. Taylor  
16 heirs and it should be right after the...I'll find that for  
17 you here. Where's your...?

18          MARK SWARTZ: Oh, here you go.

19          BARBARA PAULEY: Okay.

20          MARK SWARTZ: You guys are in here?

21          GLEN TAYLOR: Uh-huh, right.

22          BARBARA PAULEY: Uh-huh.

23          MARK SWARTZ: And you are---?

24

1           BARBARA PAULEY: He is Glen Taylor and I'm Barbara  
2 Pauley.

3           MARK SWARTZ: Okay. So, you're X-1 and X-2?

4           BARBARA PAULEY: 2, right. And we're--.

5           MARK SWARTZ: Now, you have this...this indicates  
6 to me that you guys have an interest in Tract 3. I think  
7 you've got the same interest probably in a couple of tracts.  
8 But you've got an interest in Tract 3, which is a 1.56 acre  
9 tract. So, you need to look at---

10          BARBARA PAULEY: Interest in---.

11          MARK SWARTZ: You need to start...Tract 3 is 1.56  
12 acres. Now, if you look at the map, okay...don't lose that  
13 page.

14          BARBARA PAULEY: Okay.

15          MARK SWARTZ: Keep your finger in there.

16          BARBARA PAULEY: I got my finger in there.

17          MARK SWARTZ: We're going to come back to that.  
18 Now, if you look at the map, the tract is really bigger than  
19 1.56 acres. We're only interested in the part of it that's  
20 in the unit. This copying on both sides gets me all confused  
21 here. Okay, here's Tract 3. There must have been a  
22 partition estate or something to line everything up like  
23 this, I'm thinking. But here's Tract 3.

24

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1           GLEN TAYLOR: No, I don't think so. I mean, not  
2 the way you draw with your pencil, no crossways there. They  
3 run---.

4           MARK SWARTZ: Well, the tracts all go this way.

5           GLEN TAYLOR: Right.

6           BARBARA PAULEY: Uh-huh.

7           GLEN TAYLOR: That was the way the land was  
8 purchased in early 1900s.

9           MARK SWARTZ: Okay, okay. And if you look at Tract  
10 3, you can see that only a little bit of it is in this---.

11          GLEN TAYLOR: Right, I understand.

12          MARK SWARTZ: ---unit, okay? That's where the 1.56  
13 acres come from. They measured what's in there, okay?

14          GLEN TAYLOR: Uh-huh.

15          MARK SWARTZ: And this is a 58.74 acre unit. So,  
16 to figure out your percentage, you would stick 1.56 over the  
17 top of 58.74 and they've done the math.

18          GLEN TAYLOR: Uh-huh.

19          BARBARA PAULEY: Uh-huh.

20          MARK SWARTZ: And if you get...if we come to your  
21 name now, that's where these percentages start. But you've  
22 got a further problem that you've got an undivided interest.

23          That you own a piece of this with other people. There's

24

--

1 title work saying that you've got...each got a 1/54th.

2 GLEN TAYLOR: Uh-huh.

3 MARK SWARTZ: So, you would take the percentage  
4 that I just gave you and you take, you know, 1/54th of that,  
5 and I'm sure that they've done the math here and got, you  
6 know, down to this little bitty number here. But you're in a  
7 number of tracts, you know. Now, what happens is that's the  
8 last column here...that's your interest in this unit, okay?  
9 Now, you may have...they're showing this is coal.

10 BARBARA PAULEY: We also have the...the gas is back  
11 here.

12 MARK SWARTZ: Okay. So, you have what---?

13 BARBARA PAULEY: We have a fee interest.

14 MARK SWARTZ: So, then you would...if there's money  
15 coming out of this unit, it would be paid directly to you.  
16 We wouldn't have to escrow.

17 BARBARA PAULEY: Okay. That was---.

18 MARK SWARTZ: If you had somebody else owning oil  
19 and gas in Tract 3 and you own coal, the money would go to  
20 the Board escrow's agent until you guys either work that out  
21 or sued each other or something. But since you have fee in  
22 the minerals, you would get the checks directly.

23 GLEN TAYLOR: Okay.

24

--

1           BARBARA PAULEY: That was...that was our  
2 question---

3           GLEN TAYLOR: That was the question.

4           BARBARA PAULEY: ---because we have been tied up  
5 for ever prior to our mother's death and following her death  
6 in money in this same thing that had gotten pooled and it has  
7 been a royal pain.

8           MARK SWARTZ: On other tracts or something or---?

9           BARBARA PAULEY: Yes.

10          GLEN TAYLOR: Yes.

11          MARK SWARTZ: ---somewhere else?

12          GLEN TAYLOR: Different...in a different location.

13          BARBARA PAULEY: Different location.

14          MARK SWARTZ: Okay. Now, you need to do one more  
15 bit of math here, I need to warn you.

16          BARBARA PAULEY: Okay.

17          MARK SWARTZ: This percentage is your interest in  
18 the unit, which is kind of the calculation that I was showing  
19 you. Take how much acres you've got and put it over the  
20 total and you take your undivided interest and you do the  
21 math and you come up with the percentage. The royalty that  
22 gets paid, if you don't sign a lease, normally what this  
23 Board would...and I just realized I didn't offer testimony on  
24

1 that, so I need to reopen the testimony. Normally, when this  
2 Board enters a pooling order, that will save...if you don't  
3 agree to a lease, there's a 12 1/2% royalty, which is  
4 traditional, okay? There is a description in their orders as  
5 to how that gets...that gets figured out. I mean, what do  
6 you...the gas gets sold, but you've got to get it somewhere.  
7 So, you make some deductions and you get a price and you  
8 take it times 12 1/2% and that's what the royalty owners get.  
9 So, you get this piece times the 12 1/2%, okay? So, there's  
10 a further calculation to really get to what your percentage  
11 is.

12 GLEN TAYLOR: Uh-huh.

13 BARBARA PAULEY: Uh-huh.

14 GLEN TAYLOR: The 12 1/2% is for the whole group of  
15 heirs.

16 MARK SWARTZ: For heir...well, actually, it's for a  
17 100% of the people.

18 BARBARA PAULEY: A 100%.

19 MARK SWARTZ: It would be...the 12 1/2% gets split  
20 between everybody who has got a tract.

21 GLEN TAYLOR: Divided, right?

22 MARK SWARTZ: And gets divided up.

23 GLEN TAYLOR: I understand that.

24

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1           MARK SWARTZ: So...and their...now, some people  
2 aren't listed in this Exhibit Three because this only lists  
3 the people that we don't have a lease from. So, there's a  
4 much bigger lease, you know.

5           GLEN TAYLOR: Uh-huh.

6           BARBARA PAULEY: Uh-huh.

7           MARK SWARTZ: But that's how you would figure it  
8 out. Now, the only other thing I need to tell you is there  
9 is an opportunity, and this under the statute...so, the Board  
10 has to do this at the end of the day, you know, if they pool  
11 this unit. You could...you could agree to become a partner  
12 in this well and the way you would do that is you would...you  
13 would take this .0492 number and then you would go to the  
14 next...the next tract, because I'm sure that there's the  
15 same...here you are again. Here it's .0817 and you would  
16 take those numbers times the well cost, which is  
17 240...\$245,00 and that would give you a dollar figure. You  
18 could write to the operator and say, we want to be a partner  
19 in this well and here's our check. Now, it would be a pretty  
20 small amount of money, but you'll have that option, or you  
21 can just do nothing, you know, and you'll...you'll, in  
22 effect, have a lease and a piece of the 12 1/2% or you can  
23 talk to them after today, I know you were talking to Les

24

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1 earlier, you know, and you could enter into a lease with  
2 them. So, you've got some options. You don't really have to  
3 make a decision today. But in this particular unit, I will  
4 be honest with you, I mean, your interests are tiny. Okay,  
5 so, I mean, I...it's...you know, I'm not sure you could buy  
6 lunch. But now in other---

7 BARBARA PAULEY: More than what we've got.

8 MARK SWARTZ: ---...in other units, you might have  
9 more of an interest than it could be some...you know, some  
10 serious money. But the same rules would apply for coalbed  
11 methane everywhere. So, if you had, you know, eight acres in  
12 a unit, you have 10% of that 12 1/2%, which might be  
13 something.

14 GLEN TAYLOR: Yeah, right.

15 MARK SWARTZ: But just guessing, you know, I'm  
16 thinking the one to the south...how big is your Tract 3 with  
17 all the acres in it? Do you know?

18 GLEN TAYLOR: It's 7 or 8 acres. They're all in  
19 the same range.

20 BARBARA PAULEY: They're all on that---

21 MARK SWARTZ: Okay.

22 GLEN TAYLOR: Less than 10 acres.

23 BARBARA PAULEY: They're less than 10 acres, I  
24  
25

1 think each of them are.

2           MARK SWARTZ: Okay. Well, if you get into one  
3 south of this unit, you're going to have a much bigger  
4 interest. But you still have that 1/54th interest, which is  
5 a problem.

6           BARBARA PAULEY: Okay.

7           MARK SWARTZ: But that's...you know, that's how you  
8 do the math.

9           GLEN TAYLOR: That brings on another question.  
10 What happens---?

11           BARBARA PAULEY: (Inaudible).

12           GLEN TAYLOR: This line that you've got drawn  
13 around this map that's on the paper may...maybe---?

14           MARK SWARTZ: Do you mean the big---?

15           BARBARA PAULEY: This.

16           GLEN TAYLOR: ---on survey.

17           MARK SWARTZ: Right.

18           GLEN TAYLOR: But it don't go underground. It  
19 don't divide this pooled gas from where you're drilling from  
20 the balance that's left.

21           MARK SWARTZ: Well, it's...actually, it's---.

22           GLEN TAYLOR: What happens to that?

23           MARK SWARTZ: These lines are drawn all over the

24

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1 county. Let's look at this map. Okay, up above here, these  
2 are Oakwood units. They're 80 acre units. Down here  
3 are...I'm assuming this Middle Ridge, are Middle Ridge units,  
4 which generally are 58 acres. So, these...you know, the idea  
5 is there's going to be a well in everyone of these units.  
6 Pretty much there gets to be a well in everyone of these  
7 units. So, everybody is getting their share of these  
8 squares. I mean, this is not a title map or something. You  
9 wouldn't find this at the deed office, you know. But this  
10 Board drew these grids over 100s of 1000s of acres out here.  
11 The idea is that they'll be at least one well in each of  
12 those.

13 BARBARA PAULEY: Each one of those.

14 GLEN TAYLOR: In the square you've got on that?

15 MARK SWARTZ: Yeah, each one of these squares.

16 Well, there's...there's a bunch of squares. I mean, this  
17 happens to be the one we're talking about. But there's 100s  
18 and 1000s of squares, you know. I mean, the Oakwood Field  
19 alone is over 100,000 acres. I don't know---

20 BARBARA PAULEY: Well, it's not they are opposed to  
21 it. It's just that we don't understand and we thought this  
22 was an opportunity for us to get some insight into what we're  
23 into.

24

--

1           GLEN TAYLOR: Take everybody else's time up.

2           MARK SWARTZ: Well, you would have gotten a much  
3 better explanation from that woman in the blue suit. But  
4 some reason---.

5           BARBARA PAULEY: Okay. See we didn't know where  
6 she was available. We may yet contact her.

7           MARK SWARTZ: But that, you know, generally how it  
8 works.

9           GLEN TAYLOR: Okay.

10          MARK SWARTZ: And, you know, I would certainly  
11 encourage you to talk to Les or CNX's land people after the  
12 hearing to see if you couldn't enter into a lease. Their  
13 lease, I know, is a 12 1/2% royalty.

14          GLEN TAYLOR: Well, probably the leases would have  
15 already been signed. But we received this like in  
16 October---.

17          BARBARA PAULEY: We just got this---.

18          GLEN TAYLOR: ---and the lease last week.

19          MARK SWARTZ: Okay.

20          GLEN TAYLOR: So---.

21          MARK SWARTZ: Well, you know, regardless---.

22          BARBARA PAULEY: And we're slow.

23          MARK SWARTZ: Not slower than I am. Regardless of  
24

1 what happens today, you can still work a lease with them.

2 BARBARA PAULEY: Okay.

3 MARK SWARTZ: I mean, it's not like there's  
4 something that happens today that's going to foreclose that.  
5 But you don't have to, you know. So, that's...that's...and  
6 the reason for being here is we're trying to get them to say  
7 you can go ahead and develop this unit even though everybody  
8 hasn't already signed a lease. I mean, that's the purpose of  
9 the visit today.

10 GLEN TAYLOR: Well, now, going back to the grid  
11 there where we're at---

12 MARK SWARTZ: This big one?

13 GLEN TAYLOR: Down here on the checkered one there.

14 MARK SWARTZ: Right.

15 BARBARA PAULEY: That's---

16 GLEN TAYLOR: What is the probability that there  
17 will be another one below that? Any?

18 LESLIE K. ARRINGTON: There's certainly the  
19 possibility. But as I told you there earlier, we would have  
20 to have leases from the majority of the interest in those  
21 units south of us.

22 GLEN TAYLOR: And it would be another square like  
23 this one?

24

--

1           LESLIE K. ARRINGTON: Yes, sir. It would be  
2 another 58 acres.

3           GLEN TAYLOR: 58 acres?

4           LESLIE K. ARRINGTON: Yes, sir.

5           GLEN TAYLOR: Okay. Well, our cousin, Oscar  
6 Thompson, in Kentucky, he was wondering about what would  
7 happen to the balance of the property there. Like...I don't  
8 think I've gotten my question answered yet. The gas that is  
9 in the drilling area there---?

10          MARK SWARTZ: Right.

11          GLEN TAYLOR: ---it is not divided in the ground?

12          MARK SWARTZ: Oh, yeah, there's a line that goes to  
13 China. There's a wall that goes to China.

14          GLEN TAYLOR: And it don't block this side off from  
15 that side. That's---.

16          MARK SWARTZ: The...the reason for this grid is  
17 that problem. This Board said, we're not going to let you  
18 drill more than one well per 57 or 58 acres---.

19          GLEN TAYLOR: Okay.

20          MARK SWARTZ: ---because we don't want you draining  
21 gas from everybody else. We think that's a fair size for one  
22 well so that you're not taking, you know, a huge amount of  
23 gas from your neighbors. The theory is if oil and gas

24

--

1 companies want to develop all the gas, they've got to drill  
2 wells in every one of these units. I mean, that's the idea  
3 behind...these are called field rules.

4 GLEN TAYLOR: Okay.

5 MARK SWARTZ: There are a lot of areas in this  
6 State where you see stuff...you know, you've got, you know, a  
7 big tract of land and if you looked at the well maps, you'd  
8 see all these circles...just random circles, okay, and  
9 that's...and what the Board decided is we don't want random  
10 development where you can drill a well here and be draining  
11 forever...you know, how big an area. We're going to size  
12 these units based on what we think is in the ground for a  
13 reasonable size for one well and if you want more gas, drill  
14 another one. I mean, that's the idea.

15 GLEN TAYLOR: Well, I've got another question for  
16 you then. Since this is working on the Middle Ridge, you  
17 call that there, how many other wells has CNX got in that  
18 area on north and east of there?

19 LESLIE K. ARRINGTON: To give you an exact number,  
20 I can't.

21 GLEN TAYLOR: Well---.

22 LESLIE K. ARRINGTON: 2000. What we done...if  
23 you'll go in...I don't have a map with me to show you that.

24

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1 But if you were to go in Bob Wilson's office, he has got...I  
2 think you got a map there. You'll see the progression of how  
3 we've developed and we're developing down toward this  
4 acreage. That's the reason you haven't heard from us until  
5 now. We're developing from the north to the south. We're  
6 also developing on to the east. So, we're just getting to  
7 this area.

8 GLEN TAYLOR: Yeah, okay.

9 MARK SWARTZ: But they're drilled 1000s of wells,  
10 okay? I mean, it's...we've been doing this for 15 years.

11 BARBARA PAULEY: We know the wells are there. But  
12 we're just...we just don't know.

13 MARK SWARTZ: Yeah. I mean, it's...and they sort  
14 of...you know, you have to build lines to get the gas to  
15 other lines and so they kind of, you know, get organized and  
16 develop in a path.

17 GLEN TAYLOR: Well, now, is there another company  
18 that is drilling wells here besides CNX in this area?

19 LESLIE K. ARRINGTON: In that area?

20 BENNY WAMPLER: I'm going to have to...because  
21 that's just getting to general information.

22 BARBARA PAULEY: Okay, that's...okay.

23 GLEN TAYLOR: Okay.

24

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1           BARBARA PAULEY: That's fine.

2           BENNY WAMPLER: You can...for the hearing, I need  
3 to stick with the subject matter. If you've got---.

4           GLEN TAYLOR: Yeah, all right.

5           BENNY WAMPLER: ---your questions as to well...I  
6 want to make sure you do that.

7           MARK SWARTZ: There's just no better company than  
8 my client.

9           BENNY WAMPLER: Mr. Swartz, one thing that---.

10          BARBARA PAULEY: How are we supposed to know that?

11          BENNY WAMPLER: On your application, you...you  
12 said...on our sheet that we have, we didn't have anything for  
13 unknowns. But you said, 3, 4, 5 and 6. Les didn't say that.

14          SHARON PIGEON: Well, I think he agreed with it.

15          MARK SWARTZ: Yeah, he agreed with me.

16          LESLIE K. ARRINGTON: I did.

17          BENNY WAMPLER: But we don't have an E.

18          SHARON PIGEON: We don't have an escrow attachment  
19 showing that. We just have 2A, 2B and 2C.

20          MARK SWARTZ: Okay. So, you want a modified  
21 exhibit?

22          SHARON PIGEON: We'd need a modified E to show the  
23 unlocateable.

24

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1                   MARK SWARTZ: That's why we have a team approach  
2 here because some of us catch that.

3                   SHARON PIGEON: It's so good that you do that.

4

5                                   LESLIE K. ARRINGTON

6                                   DIRECT EXAMINATION RESUMES

7 QUESTIONS BY MR. SWARTZ:

8                   Q.       Now, Les, we need to talk about standard  
9 lease terms though.

10                  A.       Yes.

11                  Q.       What...what are the...in general are the  
12 terms that you have offered to 80 some percent of the folks  
13 that you've been able to lease?

14                  A.       For a coalbed methane lease, it's a dollar  
15 per acre per year, five year paid up term with a one-eighth  
16 royalty.

17                  Q.       Okay. And that one-eighth royalty,  
18 obviously, would start on production?

19                  A.       Yes.

20                  Q.       Okay. Is there...is there a bit of a delay  
21 between production and payment?

22                  A.       Yes.

23                  Q.       Roughly, how much?

24

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1           A.       Sixty days.

2           Q.       Okay.  And is that authorized by the Board  
3 for record keeping and meter reading and so forth?

4           A.       Yes.

5           Q.       Okay.  And you're required to make those  
6 payments?

7           A.       Yes, we are.

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

9           BENNY WAMPLER:  Questions from members of the  
10 Board?

11           (No audible response.)

12           BENNY WAMPLER:  Is there a motion?

13           DONALD RATLIFF:  Move to approve, Mr. Chairman,  
14 with the understanding that they will provide us with---.

15           BENNY WAMPLER:  Revised exhibit?

16           DONALD RATLIFF:  ---a revised exhibit.

17           BENNY WAMPLER:  Is there a second?

18           JOSE SIMON:  Second.

19           PEGGY BARBAR:  I'll second.

20           BENNY WAMPLER:  Second.  Any further discussion?

21           (No audible response.)

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

24

1 (All members signify by saying yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval. Thank you.

5 We'll take a five minute break.

6 (Break.)

7 BENNY WAMPLER: The next item on the agenda is a  
8 petition from CNX Gas Company, LLC for pooling of coalbed  
9 methane unit BE-100. This is docket number VGOB-05-1115-  
10 1524. We'd ask the parties that wish to address the Board in  
11 this matter to come forward at this time.

12 MARK SWARTZ: Mark Swartz and Les Arrington.

13 BENNY WAMPLER: The record will show no others.

14 You may proceed.

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LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you're still under oath. Do you understand that?

A. Yes.

Q. You need to state your name again?

A. Leslie K. Arrington.

MARK SWARTZ: Mr. Chairman, I would like to incorporate Les' prior testimony with regard to the standard lease terms, preparation of the notices and applications, CNX as a applicant and as a...as a proposed designated operator.

BENNY WAMPLER: That will be incorporated.

Q. With regard to BE-100, Les, what...what kind of a unit is this?

A. Nora, 58.78 acres.

Q. Okay. And you've caught the plat problem with the original exhibit and you're fixing that?

A. Yes, we did. Anita just passed out the new plat.

Q. Okay. And in this...in this case, do you want to add anybody or dismiss anybody today?

A. No.

1 Q. Okay. What did you do to advise people that  
2 we were going to have a hearing today on this...on this unit?

3 A. We mailed by certified mail, return receipt  
4 requested October the 14th, 2005 and published in the  
5 Bluefield Daily Telegraph on October the 21st, 2005.

6 Q. And have you filed that information with Mr.  
7 Wilson?

8 A. Yes, we have.

9 Q. Okay. And when you published, what did you  
10 publish?

11 A. The notice of hearing and location map.

12 Q. Tell...tell the Board what you've been able  
13 to acquire, what interest and claims and what you're seeking  
14 to pool today?

15 A. Yes. We have leased 100% of the coal  
16 owner's claim to coalbed methane; and leased 83.795% of the  
17 oil and gas owner's claim to coalbed methane. We're seeking  
18 to pool 16.205% of the oil and gas owner's claim to coalbed  
19 methane.

20 Q. The development plan here would be to drill  
21 one well, correct?

22 A. Yes, it is.

23 Q. And the well here is actually located in the  
24

1 window?

2 A. Yes, it is.

3 Q. What kind of well would it be?

4 A. A frac well.

5 Q. And the acres in that unit, again?

6 A. 58.78.

7 Q. Okay. Have you provided the Board with a  
8 well cost estimate?

9 A. Yes. It's \$245,414.46 to a depth of  
10 2,463.44 feet. The permit number is 6530 and it has been  
11 drilled.

12 Q. Okay. There are quiet a few tracts that we  
13 need to deal with in terms of escrow and they're a couple of  
14 tracts as we go through that have title issues and a life  
15 estate, right?

16 A. Yes.

17 Q. Okay. Let's...first of all, have you...have  
18 you provided the Board with an Exhibit E dealing with escrow  
19 requirements?

20 A. Yes, we have.

21 Q. Okay. To summarize, what are the tracts  
22 that you've indicated in Exhibit E require escrow?

23 A. 1B, 1D, 1E, 3A, 3B, 3C, 3D, 3E and 3E.  
24  
25

1           Q.       Okay. In 1G and 1D, you've got some title  
2 issues, right?

3           A.       1G and what?

4           Q.       I'm sorry, 1D and 1G. I think you've got  
5 some title issues. There's 1D---.

6           A.       Yes.

7           Q.       Okay. And then 1G, you've got a title issue  
8 as well?

9           A.       Yes, it is.

10          Q.       Okay. And then in 1E, I believe you  
11 disclosed in your exhibit that there's a life estate that's  
12 going to have to be dealt with, at least temporary?

13          A.       Yes, correct.

14          Q.       Okay. Then we have some address unknown  
15 issues, right?

16          A.       Yes. I'm sure we do.

17          Q.       And what tracts are those in? 3A---?

18          A.       3A, 3B, 3C, 3D, 3E and 3F.

19          Q.       Okay. Let's look at G...1G and 1K, I have  
20 down that's requiring escrow. I think you just omitted them  
21 for some reason or another. But you've also got an escrow  
22 requirement for 1G and 1K.

23          Q.       Okay. I think maybe it went off the---.

24

1 A. Okay, escrow?

2 Q. ---yeah, off the side.

3 A. Okay.

4 Q. Then are there some of the claimants in this  
5 unit that have entered into split agreements?

6 A. Yes, there is. 1A, 1C, 1H, 1I, 1J, 3A, 3B,  
7 3C, 3D, 3E and 3F.

8 Q. Okay. And with regards to the folks that  
9 have entered into split agreements, is it your request that  
10 you be allowed to pay them direct in accordance with their  
11 written split agreements?

12 A. Yes, we would.

13 Q. Okay. And Exhibit EE reports that those  
14 tracts and those people?

15 A. Yes.

16 MARK SWARTZ: And I also...Mr. Chairman, I don't  
17 think I asked to incorporate Mr. Arrington's opinion  
18 testimony from his prior...from the prior. But I'd like to  
19 do that as well.

20 BENNY WAMPLER: That will be incorporated.

21 MARK SWARTZ: With that, I've concluded.

22 BENNY WAMPLER: I didn't understand the 1K being  
23 escrowed.

24

--

1           LESLIE K. ARRINGTON: Yes, 1K, it does need to be  
2 escrowed. I just---

3           BENNY WAMPLER: Based on what?

4           LESLIE K. ARRINGTON: Harrison-Wyatt is the coal  
5 owner and Hampton Austin is the oil and gas owner.

6           MARK SWARTZ: It's page two of thirty.

7           BENNY WAMPLER: Yea, I'm looking at it.

8           (Sharon Pigeon confers with Benny Wampler.)

9           BENNY WAMPLER: Okay. Questions from members of  
10 the Board?

11           (No audible response.)

12           BENNY WAMPLER: Do you have anything further?

13           MARK SWARTZ: No, I don't.

14           BENNY WAMPLER: Is there a motion?

15           JOSE SIMON: Motion for approval.

16           BENNY WAMPLER: Is there a second?

17           DONALD RATLIFF: Second, Mr. Chairman.

18           BENNY WAMPLER: Motion to approve and a second.  
19 Any further discussion?

20           (No audible response.)

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

23           (All members signify by saying yes.)

24

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1           BENNY WAMPLER:  Opposed, say no.  
2           (No audible response.)  
3           BENNY WAMPLER:  You have approval.  
4           SHARON PIGEON:  We're going to need a new...we  
5 don't have---.  
6           BENNY WAMPLER:  Yeah, we didn't have the G and K on  
7 E.  
8           SHARON PIGEON:  Yeah, we have both of here.  Do we  
9 have these?  Let's just make sure we got all these on here.  
10 Don't have the unlocateable on here.  
11           LESLIE K. ARRINGTON:  It's just not on that list.  
12           MARK SWARTZ:  It's on the exhibit.  It's just not  
13 on the spreadsheet.  
14           SHARON PIGEON:  Are the unlocateables on E?  That's  
15 what I'm trying to---.  
16           LESLIE K. ARRINGTON:  I think so.  
17           SHARON PIGEON:  Okay.  
18           MARK SWARTZ:  I think they were, but let me look.  
19           SHARON PIGEON:  This time they were, okay.  
20           MARK SWARTZ:  Let me just look.  
21           LESLIE K. ARRINGTON:  I think they are.  I believe  
22 they were even on page---.  
23           MARK SWARTZ:  Yes.  
24

1           SHARON PIGEON: Yeah, I think they are.

2           MARK SWARTZ: The address unknown folks are in the  
3 list of Es.

4           BENNY WAMPLER: Okay. The next item on the agenda  
5 is a petition from CNX Gas Company, LLC for pooling of  
6 coalbed methane unit BE-120. This is docket number VGOB-05-  
7 1115-1525. We'd ask the parties that wish to address the  
8 Board in this matter to come forward at this time.

9           MARK SWARTZ: Mark Swartz and Les Arrington.

10          BENNY WAMPLER: The record will show no others.  
11 You may proceed.

12          MARK SWARTZ: Mr. Chairman, I'd like to incorporate  
13 Mr. Arrington's prior testimony with regard to CNX Gas  
14 Company, LLC as an applicant and also as a potential  
15 designated operator, his testimony with regard to standard  
16 lease terms, his opinion testimony and...that would...that  
17 would be it.

18          BENNY WAMPLER: Okay. That will be incorporated.

19

20                                   LESLIE K. ARRINGTON

21                                   DIRECT EXAMINATION

22 QUESTIONS BY MR. SWARTZ:

23           Q.       Les, you need to state your name again.

24

--

1 A. Leslie K. Arrington.

2 Q. I'll remind you that you're under oath.

3 A. Yes.

4 Q. Okay. And what do you do for CNX?

5 A. I'm manager of environmental and permitting.

6 Q. Okay. Unit here is what kind of unit?

7 A. Middle Ridge, 58.74 acres.

8 Q. Okay. And how many wells are we talking

9 about?

10 A. One.

11 Q. And is it in or out of the window?

12 A. It's within.

13 Q. What did you do to notify the people that

14 you've listed in the notice of hearing and Exhibit B-3 that

15 there would be a hearing today?

16 A. Mailed by certified mail, return receipt

17 requested on October 14, 2005 and published in the Bluefield

18 Daily Telegraph on October the 22nd, 2005.

19 Q. Okay. And did you file proofs with regard

20 to both mailing and publication with Mr. Wilson?

21 A. We did.

22 Q. And when you published, did you publish the

23 notice of hearing and the larger map?

24

--

1           A.       Yes, we did.

2           Q.       Okay. Do you want to add anybody as a  
3 respondent today?

4           A.       No.

5           Q.       Do you want to dismiss anybody?

6           A.       No.

7           Q.       The...have you provided a well cost  
8 estimate?

9           A.       Yes.

10          Q.       What is that?

11          A.       \$238,805.61 to a depth of 2,480 feet. The  
12 permit number is 6918.

13          Q.       What interest have you been able to acquire  
14 and what is it you're seeking to pool today?

15          A.       We have 100% of the coal owner's claim to  
16 coalbed methane leased, 79.1768% of the oil and gas owner's  
17 claim to coalbed methane leased and we're seeking to pool  
18 20.8232% of the oil and gas owner's claim to coalbed methane.

19          Q.       Okay. There's an escrow requirement for  
20 unknowns?

21          A.       1D.

22          Q.       And then there's an escrow requirement...an  
23 additional escrow requirement...requirement disclosed by  
24

1 Exhibit E concerning traditional conflicts and that would be  
2 what tracts?

3 A. 1C, 1D, 1 E and 1G.

4 Q. And are there some folks here that have  
5 entered into written split agreements?

6 A. Yes, 1A, 1B and 1F.

7 Q. Exhibit EE would identify those tracts and  
8 the folks that have the agreements?

9 A. Yes, it does.

10 Q. And are you requesting that with regard to  
11 the folks that have entered into split agreements that you,  
12 the designated operator, be allowed to pay them directly,  
13 rather than escrowing their funds?

14 A. Yes, we would.

15 MARK SWARTZ: That's all I have.

16 BENNY WAMPLER: Questions from members of the  
17 Board?

18 (No audible response.)

19 BENNY WAMPLER: Is there a motion?

20 DONALD RATLIFF: I move to approve, Mr. Chairman.

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

23 BILL HARRIS: Second.

24

--

1           BENNY WAMPLER: Second. Any further discussion?

2           (No audible response.)

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

5           (All members signify by saying yes.)

6           BENNY WAMPLER: Opposed, say no.

7           (No audible response.)

8           BENNY WAMPLER: You have approval. The next item  
9 on the agenda is a petition from CNX Gas Company, LLC for  
10 pooling of coalbed methane unit BG-121. This is docket  
11 number VGOB-05-1115-1526. We'd ask the parties that wish to  
12 address the Board in this matter to come forward at this  
13 time.

14           MARK SWARTZ: Mark Swartz and Les Arrington.

15           BENNY WAMPLER: The record will show no others.  
16 You may proceed.

17           MARK SWARTZ: Mr. Chairman, I'd like to, again,  
18 incorporate Mr. Arrington's prior testimony regarding CNX Gas  
19 as his employer and as an applicant and also a proposed  
20 designated operator, his testimony with regard to standard  
21 lease terms that they've offered to folks that they've been  
22 able to lease from and his opinion testimony.

23           BENNY WAMPLER: That will be incorporated.

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LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you need to state your name again?

A. Leslie K. Arrington.

Q. I'll remind you're still under oath.

A. Yes.

Q. One have one respondent here, right?

A. Yes.

Q. What did you do to notify them?

A. We mailed by certified mail, return receipt requested on October 14, 2005 and published in the Bluefield Daily Telegraph on October the 22nd, 2005.

Q. And have you filed your proofs in that respect with regard to mailing and publication with Mr. Wilson?

A. Yes, we have.

Q. And when you published, what did you publish?

A. The notice of hearing and the location map.

Q. Okay. This is what kind of unit?

A. Middle Ridge. It's 58.74 acres.

1 Q. How many wells are proposed?  
2 A. One.  
3 Q. What kind?  
4 A. Frac.  
5 Q. And where is it located in relation to the  
6 window?  
7 A. Within the drilling window.  
8 Q. Okay. Tell the Board what...what it is that  
9 you've been able to acquire in terms of claims and interest  
10 and what it is you're seeking to pool with regard to  
11 this...this unit BG-121.  
12 A. We have 100% of the coal owner's claim to  
13 coalbed methane leased, 99.5403% of the oil and gas owner's  
14 claim to coalbed methane leased. We're seeking to pool  
15 0.4597% of the oil and gas owner's claim to coalbed methane.  
16 Q. Have you provided a well cost estimate?  
17 A. Yes. \$239,801.50 to a depth of 2,509 feet.  
18 Permit number is 6919.  
19 Q. Okay. Is there an escrow requirement?  
20 A. 1E, 1F and 5.  
21 Q. And that's because of just traditional  
22 conflicts?  
23 A. Yes.

24

25

1 Q. Have some of these...some of the folks in  
2 some of the tracts entered into split agreements?

3 A. Yes. For 1D, 2, 3 and 5.

4 Q. And from Exhibit EE those tracts are listed  
5 and the folks that have the agreements are listed in Exhibit  
6 EE?

7 A. That...that's correct.

8 Q. And are you requesting that any Board order  
9 that might be entered would give the operator the ability to  
10 pay the folks who have split agreements directly rather than  
11 escrowing their money?

12 A. That's correct, we would.

13 MARK SWARTZ: That's all I have.

14 BENNY WAMPLER: Questions from members of the  
15 Board?

16 (No audible response.)

17 BENNY WAMPLER: Is there a motion?

18 BILL HARRIS: Mr. Chairman, motion for approval.

19 PEGGY BARBAR: I'll second.

20 BENNY WAMPLER: And second. Any further  
21 discussion?

22 (No audible response.)

23 BENNY WAMPLER: All in favor, signify by saying  
24

1 yes.

2 (All members signify by saying yes.)

3 BENNY WAMPLER: Opposed, say no.

4 (No audible response.)

5 BENNY WAMPLER: You have approval. The next item  
6 on the agenda is a petition from CNX Gas Company, LLC for  
7 pooling of coalbed methane unit BI-108, docket number VGOB-  
8 05-1115-1527. We'd ask the parties that wish to address the  
9 Board in this matter to come forward at this time.

10 MARK SWARTZ: Mark Swartz and Les Arrington.

11 BENNY WAMPLER: The record...we've got one other  
12 one here.

13 MARK KINDER: Mark Kinder, Norfolk Southern and  
14 Pocahontas Land.

15 (Anita Duty passes out revised exhibits.)

16 BENNY WAMPLER: You may proceed.

17

18 LESLIE K. ARRINGTON

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. SWARTZ:

21 Q. Les, you need to state your name for us.

22 A. Leslie K. Arrington.

23 Q. Who do you work for?

24

--

1 A. CNX Gas Company.

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

4 A. Yes.

5 MARK SWARTZ: Mr. Chairman, I'd like to incorporate  
6 Mr. Arrington's testimony with regard to CNX as an applicant  
7 and his employer, with regard to CNX as a proposed designated  
8 operator, with regard to standard lease terms offered to the  
9 folks that they have been able to reach agreements with and  
10 with regard to his opinion testimony.

11 BENNY WAMPLER: That will be incorporated.

12 Q. Mr. Arrington, what did you do to advise  
13 people that we would be having a hearing today?

14 A. We mailed by certified mail, return receipt  
15 requested on October 14, 2005 and published in the Bluefield  
16 Daily Telegraph on October the 24th, 2005.

17 Q. And have you filed proofs in that regard  
18 with Mr. Wilson?

19 A. Yes, we have.

20 Q. When you published, what did you publish?

21 A. The notice of hearing and location map.

22 Q. Okay. What kind of unit is this?

23 A. It's a Middle Ridge at 58.74 acres.

24

--

1 Q. And how many wells?

2 A. One.

3 Q. What kind?

4 A. Frac.

5 Q. And where is it located in relation to the

6 drilling window?

7 A. Within the drilling window.

8 Q. Have you provided the Board with a cost

9 estimate?

10 A. Yes, we have. It's \$252,975.51 to a depth

11 of 2,890 feet. Permit number is 6925.

12 Q. Okay. What...what interest have you been

13 able to acquire and what is it that you're seeking to pool,

14 and with that I'd refer you though to the revised Exhibit A,

15 page two?

16 A. Page two, yes, sir. Just a minute. We have

17 96.843% of the coal owner's claim to coalbed methane leased

18 and the oil and gas owner's claim and we're seeking to pool

19 3.157% of the coal, oil and gas owner's claim to coalbed

20 methane.

21 Q. Okay. Can I...is it safe to assume that the

22 reason the percentage has gone down when you filed is because

23 you've been able to lease some folks?

24

1 A. We did.

2 Q. Okay. And---

3 A. As shown on Exhibit B-2 and then a revised  
4 Exhibit B-3.

5 Q. Okay. So, you've got an Exhibit B-2 in the  
6 exhibits that Anita passed out today to the Board and that  
7 lists the folks that you've...the three pages of folks that  
8 you've obtained leases from between filing this and today?

9 A. Yes.

10 Q. Okay. And you would like...are you  
11 requesting that the Board dismiss those leased people as  
12 respondents?

13 A. Yes.

14 (Mark Swartz and Leslie K. Arrington confer.)

15 Q. We're going to...in this unit and in the  
16 next two units, we've got the same situation where you've got  
17 leases and it's basically the same people. But the Board is  
18 going to see this extended...if you would look at one of  
19 fourteen of B-3, there's some zeroes out to twelve decimal  
20 places after the decimal and it's still a zero.

21 A. That's correct.

22 Q. And what...what would you like to bring to  
23 the Board's attention in that regard?

24

--

1           A.       Just that...I mean, their interest is so  
2 small, you'll note that our excel spreadsheet would not  
3 calculate a number. So, that's the reason it's showing up as  
4 zero.

5           Q.       And that's true in this unit and the next  
6 couple---?

7           A.       Yes.

8           Q.       ---that we're going to be talking about  
9 because we're dealing with basically the same people?

10          A.       Yes.

11          Q.       The revised Exhibit B-3 that you submitted  
12 today with regard to BI-108 then would...is the change simply  
13 to subtract the people that you've leased from who are listed  
14 in B-2?

15          A.       Yes, it was.

16          Q.       And other than that---?

17          A.       This is correct.

18          Q.       Okay. And, obviously, the revised Exhibit  
19 A, page two would reflect the percentage change because  
20 you've obtained leases?

21          A.       Yes.

22          Q.       Okay. Apparently, there are no split  
23 agreements here?

24

--

1 A. Correct.

2 Q. Okay. So, we don't have to deal with that  
3 issue?

4 A. Correct.

5 Q. With regard to escrow, you have an Exhibit  
6 E.

7 A. Yes, we did.

8 Q. Okay. And what are the tracts subject to  
9 escrow?

10 A. 3 and 5 for, I would imagine, unknowns and  
11 title conflicts.

12 Q. And conflicts?

13 A. Yes.

14 Q. Okay. Also, in...in 3 and 5, we have some  
15 addresses unknown, which you've just indicated. We've got  
16 some traditional conflicts. But also in 3 and 5, we've got a  
17 title issue, which you show as an additional requirement.  
18 Like 3, for example, right under that heading, you've got  
19 conflicting title issue for 1/54th interest.

20 A. Yes.

21 Q. So, there's a further---?

22 A. Yes, there is.

23 Q. ---reason?

24

1           MARK SWARTZ: I think that's all I have with regard  
2 to this unit.

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

5           BILL HARRIS: Mr. Chairman.

6           BENNY WAMPLER: Mr. Harris.

7           BILL HARRIS: Just out of curiosity, all these  
8 zeroes how...I notice the fraction  $1/53,460$ , like a division.  
9 How...how do we arrive at something like that?

10          LESLIE K. ARRINGTON: Well, it's...once the title  
11 stops way back someplace...way back when. Once...if there's  
12 numerous children and then those children have numerous  
13 children. The percentage just gets---

14          BILL HARRIS: Yeah, smaller and smaller.

15          LESLIE K. ARRINGTON: Smaller and smaller, yes.

16          BILL HARRIS: And all of the is 200s of an acre for  
17 a lot of these?

18          LESLIE K. ARRINGTON: That's correct, yes.

19          BILL HARRIS: That's amazing. Okay, that's all. I  
20 was just curious about it.

21          BENNY WAMPLER: Mr. Kinder, did you have comments?

22          MARK KINDER: I talked to Mr. Arrington a few days  
23 ago. We're going to take an opportunity to try and negotiate  
24

1 something out on this well. However, I would like to reserve  
2 the right to come back and revisit this issue if we don't  
3 resolve it.

4 MARK SWARTZ: I would object to that.

5 BENNY WAMPLER: Pardon?

6 MARK SWARTZ: And I would object to that. I mean,  
7 you know, we're at a hearing and we need to get a decision.

8 BENNY WAMPLER: The only way we can do that would  
9 be to continue it and he's objecting to the continuation.

10 MARK SWARTZ: You know, unless you want to continue  
11 it.

12 (Benny Wampler and Sharon Pigeon confer.)

13 MARK SWARTZ: I think we need to go ahead.

14 BENNY WAMPLER: Also...tell us a little background  
15 on your appearance.

16 (Mark Kinder is duly sworn.)

17 MARK KINDER: Again, my name is Mark Kinder. I'm  
18 with Pocahontas Land, a subsidiary of Norfolk Southern. I  
19 manage all of Norfolk Southern's gas rights in the different  
20 states that they operate. I think we're in a unique position  
21 here. I don't know that we actually object to the well. We  
22 don't object to the well. We welcome the well. The problem  
23 that I'm having, and I'm...I came here because I'm at a loss

24

--

1 at where else to go with this. We're offering a lease. It's  
2 the monetary value that's not right. From my standpoint, the  
3 monetary value does not cover the cost of lease document.  
4 We're actually losing money to create the lease, which we're  
5 willing to do. All we're requesting is that they meet us  
6 partially and let us get this document in railroad terms on  
7 val maps, update our data. Similar to their cover letter,  
8 they mention in order to keep their records current, well, we  
9 need to do the same thing. I think...I don't know that we  
10 actually have an objection. I'm not sure how you feel about  
11 this. We're not objecting to the well. We're just...we need  
12 to maintain our data. We can't do that if we're force pooled  
13 or if we do do it...go through and do the mapping and the  
14 database, we have to eat all the costs. I mean, we're going  
15 to have to do this whether we get a lease or not.

16 BENNY WAMPLER: Well, on the one hand, you'd have a  
17 period of time between the Board decision and the time that  
18 the order was entered to make an election. During that time,  
19 you'd negotiate.

20 MARK KINDER: We certainly don't want to slow down  
21 their progress. That's not why we're here at all. It's  
22 simply to voice concern. You know, I think everyone,  
23 including CNX, can understand that on large pieces of

24

--

1 property, you have to manage it and you have to have data and  
2 paper trails. If you're force pooled, you really don't have  
3 that data.

4 MARK SWARTZ: I don't agree with that. I mean,  
5 there's a recorded order. It's pretty detailed. I mean...  
6 you know, I understand. I think your point is that this is  
7 such a tiny interest that it's not cost effective for you to  
8 set it up in your system and you want to negotiate some  
9 contribution toward your in-house cost to do that. That's  
10 what I'm hearing you say.

11 MARK KINDER: That's correct.

12 MARK SWARTZ: And, you know, I can certainly  
13 understand that concern. But it's not an issue that we, you  
14 know, as an operator feel we need to underwrite. I mean, you  
15 know, you can certainly talk to them about it and they might  
16 talk further. But, you know, if you had a huge tract, we  
17 wouldn't be having this complaint because it would clearly  
18 make it worth your while. So, it's...you know, it's an issue  
19 that sort of pertains to the discussion we had with the  
20 people before, you know, that their interest was really  
21 pretty tiny in that particular unit. I don't really know  
22 what to do with it other than to tell you, you know, I sort  
23 of feel like it's your problem and CNX may not. But I can't

24

--

1 speak for them in terms of the money.

2           MARK KINDER: Okay. I think that was my  
3 only...just to get something on record showing our concern  
4 for how this operates.

5           BENNY WAMPLER: Any other---?

6           JOSE SIMON: Mr. Chairman, I've got a question.

7           BENNY WAMPLER: Yes, Mr. Simon.

8           JOSE SIMON: Have you estimated your costs? I  
9 mean, what...what amount are you looking at expending?

10          MARK KINDER: Usually, what we do is I actually  
11 came from the mapping department who actually does this type  
12 of work. Leasing like this can take three days. Huge  
13 amounts of property, if you get several val maps involved,  
14 can take a couple of weeks. You have your legal...I'm not  
15 sure how legal handles the issue. But I think our monetary  
16 value is very minimal when you look at the numbers that are  
17 being thrown out here. I mean, you're talking very small  
18 amounts of money. But, of course, you know, I understand  
19 Consol's stance on this. We're not looking to cause a  
20 conflict here. We're just trying to raise a concern.

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

23                   (No audible response.)

24

--

1           BENNY WAMPLER: Is there a motion?

2           DONALD RATLIFF: Move to approve, Mr. Chairman.

3           JOSE SIMON: Second.

4           BENNY WAMPLER: Motion to approve and a second.

5 Any further discussion?

6           (No audible response.)

7           BENNY WAMPLER: All in favor, signify by saying

8 yes.

9           (All members signify by saying yes.)

10          BENNY WAMPLER: Opposed, say no.

11          (No audible response.)

12          BENNY WAMPLER: You have approval. The next item

13 on the agenda is a petition from CNX Gas Company, LLC for

14 pooling of coalbed methane unit BI-109. This is docket

15 number VGOB-05-1115-1428. We'd ask the parties that wish to

16 address the Board in this matter to come forward at this

17 time.

18          MARK SWARTZ: Mark Swartz and Les Arrington.

19          BENNY WAMPLER: The record will show no others.

20 You may proceed.

21

22                                   LESLIE K. ARRINGTON

23                                   DIRECT EXAMINATION

24

--

1 QUESTIONS BY MR. SWARTZ:

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

4 A. Leslie K. Arrington.

5 Q. Who do you work for?

6 A. CNX Gas Company.

7 Q. You're still under oath. Do you understand  
8 that?

9 A. Yes.

10 MARK SWARTZ: Mr. Chairman, I'd like to incorporate  
11 Mr. Arrington's prior testimony with regard to CNX as an  
12 applicant, as an operator with regard to standard lease terms  
13 and his opinion testimony.

14 BENNY WAMPLER: That will be incorporated.

15 Q. Mr. Arrington, what kind of unit is this?

16 A. It's a Middle Ridge with 58.74 acres.

17 Q. How many wells?

18 A. One.

19 Q. What kind?

20 A. Frac within the drilling window.

21 Q. Okay. What did you do to let the folks that  
22 you've listed in your notice of hearing and Exhibit B-3 know  
23 that there was going to be a hearing today?

24

--

1           A.       We mailed by certified mail, return receipt  
2 requested October the 14th, 2005 and published in the  
3 Bluefield Daily Telegraph on October the 24th, 2005.

4           Q.       Did you provide Mr. Wilson with proofs with  
5 regard to mailing and publication?

6           A.       Yes, we did.

7           Q.       And when you published, what did you  
8 publish?

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

11          Q.       Okay. This is a similar situation to the  
12 unit that we just had where you've been able to lease some  
13 additional folks?

14          A.       That's correct.

15          Q.       And you provided the Board with some  
16 additional exhibits?

17          A.       Yes, an Exhibit B-2 showing the people to be  
18 removed and---

19          Q.       Dismissed?

20          A.       ---dismissed and a revised Exhibit B-3.

21          Q.       Okay. An Exhibit B-2, you've listed a  
22 number of folks on that two page exhibit and you're  
23 indicating that the reason for their dismissal would be that

24

--

1 you've actually been able to obtain a lease from them---?

2 A. Yes.

3 Q. ---between filing this petition and today?

4 A. Yes.

5 Q. And have you revised B-3 to reflect their  
6 dismissal?

7 A. Yes, we have.

8 Q. And would that be the only difference  
9 between the prior B-3 and today's B-3?

10 A. Yes, it is.

11 Q. Okay. Now, we've got a revised Exhibit A,  
12 page two. Let's turn to that and use that to tell the Board  
13 what it is now that you're seeking to pool and what interest  
14 you've already acquired.

15 A. Yes, we've leased 99.3337% of the coal, oil  
16 and gas owner's claim to coalbed methane. We're seeking to  
17 pool 0.6663% of the coal, oil and gas owner's claim to  
18 coalbed methane.

19 Q. Okay. Did you provide the Board with a cost  
20 estimate?

21 A. Yes, we did. It was \$242,799.35 to a depth  
22 of 2,621 feet. The permit number is 6897.

23 Q. Is there an escrow requirement here?

24

--

1 A. Tract 5.

2 Q. Okay. And in Tract 5, we've got an unknown.

3 A. Yes.

4 Q. And we've also got a...some conflicts and a  
5 title conflict.

6 A. Yes.

7 Q. Okay. There are no split agreements that  
8 you're aware of?

9 A. Correct.

10 MARK SWARTZ: That's all I have on this one.

11 BENNY WAMPLER: Questions from members of the  
12 Board?

13 (No audible response.)

14 BENNY WAMPLER: Is there a motion?

15 DONALD RATLIFF: I move to approve, Mr. Chairman.

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

18 BILL HARRIS AND JOSE SIMON: Second.

19 BENNY WAMPLER: Any further discussion?

20 (No audible response.)

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

23 (All members signify by saying yes.)

24

1           BENNY WAMPLER: Opposed, say no.

2           (No audible response.)

3           BENNY WAMPLER: You have approval. The next item  
4 on the agenda is a petition from CNX Gas Company, LLC for  
5 pooling of coalbed methane unit BJ-108. This is docket  
6 number VGOB-05-1115-1529. We'd ask the parties that wish to  
7 address the Board in this matter to come forward at this  
8 time.

9           MARK SWARTZ: Mark Swartz and Les Arrington.

10          BENNY WAMPLER: The record will show no others.  
11 You may proceed.

12

13                           LESLIE K. ARRINGTON

14                           DIRECT EXAMINATION

15 QUESTIONS BY MR. SWARTZ:

16           Q.        Would you state your name for us?

17           A.        Leslie K. Arrington.

18           Q.        Who do you work for?

19           A.        CNX Gas as manager of environmental and  
20 permitting.

21           Q.        And you understand you're still under oath?

22           A.        Yes.

23          MARK SWARTZ: Mr. Chairman, I'd like to incorporate

24

--

1 Mr. Arrington's prior testimony with regard to CNX...CNX as  
2 an applicant, as a potential designated operator, with regard  
3 to standard lease terms that are offered by the applicant and  
4 with regard to his opinion testimony.

5 BENNY WAMPLER: That will be incorporated.

6 Q. What kind of unit is this?

7 A. It's a Middle Ridge with 58.74 acres.

8 Q. And how many wells?

9 A. One.

10 Q. Where?

11 A. Within the window.

12 Q. Okay. And what kind of a well?

13 A. Frac.

14 Q. Have you provided the Board with a well cost  
15 estimate?

16 A. Yes. \$252,674.13 to a depth of 2956. The  
17 permit number is 6969.

18 Q. The...this is also a situation where we've  
19 got some folks that you've leased between the time you filed  
20 this application and today, correct?

21 A. That's correct.

22 Q. And have you identified the folks that you  
23 want to dismiss today in Exhibit B-2?

24

--

1           A.       Yes, we have.

2           Q.       And is the reason for their dismissal that  
3 you've obtained leases?

4           A.       Yes.

5           Q.       Have you also revised your Exhibit B-3?

6           A.       Yes, we have.

7           Q.       And are those revisions just simply to  
8 subtract the people that you've got leases from?

9           A.       Yes, it does.

10          Q.       Has...have the percentages of...that you've  
11 acquired and that you're seeking to pool, have those changed  
12 since the filing of the application?

13          A.       Yes...yes.

14          Q.       Okay. And what...what interests have...in  
15 the revised Exhibit A, page two, what interest have you  
16 acquired and what are you seeking to pool?

17          A.       We have leased 97.6905% of the coal, oil and  
18 gas owner's claim to coalbed methane. We're seeking to pool  
19 2.3095% of the coal, oil and gas owner's claim to coalbed  
20 methane.

21          Q.       Okay. Do you have some escrow requirements  
22 here?

23          A.       Yes, for Tract 3 for an unknown---

24

1 Q. Right.

2 A. ---and title conflict.

3 Q. Okay. And there's also a title issue?

4 A. Yes.

5 Q. Okay. No split agreements that you're aware  
6 of?

7 A. No.

8 MARK SWARTZ: You've told me about the well cost  
9 estimate. I think that's it.

10 BENNY WAMPLER: Questions from members of the  
11 Board?

12 (No audible response.)

13 BENNY WAMPLER: Is there a motion?

14 BILL HARRIS: Motion for approval.

15 BENNY WAMPLER: Is there a second?

16 PEGGY BARBAR: I'll second.

17 BENNY WAMPLER: Motion is second. Any further  
18 discussion?

19 (No audible response.)

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

22 (All members signify by saying yes.)

23 BENNY WAMPLER: Opposed, say no.

24

1 (No audible response.)

2 BENNY WAMPLER: You have approval. The next item  
3 on the agenda is a petition from CNX Gas Company, LLC for a  
4 modification of Oakwood I Field Rules to allow for drilling  
5 of additional coalbed methane frac wells within a boundary  
6 described by units BB-26 to BB-31 on the north to units CC-27  
7 to CC-31 on the south in Buchanan and Russell counties. This  
8 is docket number VGOB-95-0216-0325-04. We'd ask the parties  
9 that wish to address the Board in this matter to come forward  
10 at this time.

11 MARK SWARTZ: Mark Swartz and Les Arrington.

12 BENNY WAMPLER: The record will show no others.  
13 You may proceed.

14 MARK SWARTZ: Anita is passing out an exhibit,  
15 which it probably looks pretty familiar to some of you that  
16 have been here for a while. This petition today is to allow  
17 CNX to drill some additional wells, which I would call  
18 infield drilling in the purple area, which is this spot right  
19 here. If you look at the application, the front of it tells  
20 you...you know, identifies the units by number. But there's  
21 a similar map, you know, that was published...that was filed  
22 with the notice of hearing and it covers those units that are  
23 colored purple. There is a mistake in the petition at

24

--

1 paragraph four when it's talking about proposed provision of  
2 order. In the past, when we have come to you, and I'll get  
3 back to you a moment, a good bit of this area on this map  
4 you've allowed us to do infield drilling and second wells in  
5 the unit. We'll talk about that in a minute. But in the  
6 past, your restriction has been that the additional wells  
7 stay in the drilling unit. This...there's an error in four  
8 where it's indicated that we would be...we're asking to be  
9 allowed to drill it anywhere. That's not true. Our request  
10 is actually to be consistent with where we've been before,  
11 and I'll get into that with Les, that if we're able to locate  
12 a second well in the units in the purple area, that it would  
13 also be required to be in the drilling window as opposed to  
14 at any random point in the unit.

15

16 LESLIE K. ARRINGTON

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. SWARTZ:

19 Q. So, with that caveat, Les, you need to state  
20 your name again.

21 A. Leslie K. Arrington.

22 Q. Okay. Who do you work for?

23 A. CNX Gas Company as manager of environmental  
24

--

1 and permitting.

2 Q. Okay. And...and were you the fellow that  
3 either prepared or caused to be prepared the notice of  
4 hearing and application for today?

5 A. Yes.

6 Q. Okay. The...what is it that you're asking  
7 the Board, just in a nutshell, to do for CNX today?

8 A. Yes. We have been here three diff...three  
9 other occasions to request additional wells within  
10 Oakwood...within the Oakwood Field in certain areas. We were  
11 granted permission for those three additional areas. We will  
12 be coming back again on numerous occasions for other areas.  
13 At this time, we're requesting additional well locations  
14 within the purple area shown on the exhibit that we passed  
15 out.

16 Q. Okay. The yellow area was the first area  
17 that we can to the Board and talked about, right?

18 A. Yes. That's correct.

19 Q. And, in fact, some of the information that's  
20 charted here with regard to the infield studies was  
21 information that we had when we were first here, right?

22 A. Yes.

23 Q. And then we came back, I think, for the  
24

1 light blue area?

2 A. Yes.

3 Q. And then the last...the third trip was the  
4 green area?

5 A. Yes.

6 Q. Okay. And in the yellow, blue and green  
7 areas was the proviso that, yes, you could have a second well  
8 in the 80 acre unit, but it had to be within the drilling  
9 window of the unit?

10 A. Yes, it was.

11 Q. Okay. And have you...have you been drilling  
12 second wells?

13 A. Yes. In particular, we drilled the yellow.  
14 The yellow area has pretty much been drilled, the areas that  
15 we can drill.

16 Q. Okay. In the yellow area, what color are  
17 the second wells colored, if you know?

18 A. They're possibly are either the blue or the  
19 purple. The purple I would imagine.

20 Q. Okay. Well, it says here---?

21 A. Yeah, it's purple.

22 Q. So, it's the purple?

23 A. Uh-huh.

24

1 Q. Okay. So, you've drilled, it looks like,  
2 how many in the yellow area?  
3 A. 12 or so. I mean, they may not all show up.  
4 Q. Okay. There may be some that may not be  
5 mapped. So, you're thinking it's around twelve?  
6 A. Uh-huh.  
7 Q. Okay. And have you started drilling in the  
8 blue area?  
9 A. We have.  
10 Q. Okay. And how about the green?  
11 A. We...we've drilled just sparsely in the  
12 green so far.  
13 Q. Okay. Where are you...what part of the  
14 green area are you in?  
15 A. Mostly for infield drilling, upon the  
16 northern section near where the mine plan was.  
17 Q. Okay, up near the top then?  
18 A. Yes.  
19 Q. And are you asking the Board today to allow  
20 you to sort of continue the practice now again with regard to  
21 these ten units?  
22 A. Yes, we are.  
23 MARK SWARTZ: That's all I have.

24

--

1           BENNY WAMPLER: Is there a mine plan for that?

2           LESLIE K. ARRINGTON: No, sir.

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

5           BILL HARRIS: Mr. Chairman, I just have one  
6 information question. I notice all of the dots have...at  
7 first, I thought they were just smudges Are these  
8 numbers...well numbers---?

9           LESLIE K. ARRINGTON: That would be the well  
10 numbers, yes.

11          BILL HARRIS: ---and they're just so small that  
12 they're just---?

13          LESLIE K. ARRINGTON: Correct.

14          BILL HARRIS: Okay. I didn't know if that was to  
15 indicate a second well or something, but it's just---.

16          MARK SWARTZ: We're messy draftsmen.

17          BILL HARRIS: Well, yeah, yeah, it could be. No,  
18 thank you, that was all.

19          BENNY WAMPLER: Other questions from members of the  
20 Board? Mr. Wilson.

21          BOB WILSON: Just one question. I think they've  
22 addressed most of the concerns that we had earlier with the  
23 difference between the application and the---.

24

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1                   MARK SWARTZ: Yeah, we keep talking to some of our  
2 staff about that, but, you know, I don't want to name them,  
3 you know.

4                   BOB WILSON: I don't want you to either. But  
5 there's one other provision in there that the field rule  
6 allows wells to be drilled no closer than 600 feet to each  
7 other. I would assume that the proposal is to model this  
8 order on the ones that have proceeded it to allow for the  
9 second well to the extent that they have the same set back  
10 provisions, the same within the window provisions and the  
11 same distance...minimum distance between wells, is that  
12 correct?

13                   MARK SWARTZ: Right.

14                   LESLIE K. ARRINGTON: That's correct.

15                   MARK SWARTZ: Right.

16                   BOB WILSON: That's all I have.

17                   BENNY WAMPLER: Obviously, you feel like that this  
18 closer spacing is...actually you're seeing, I guess, a life  
19 benefit of the unit being improved?

20                   LESLIE K. ARRINGTON: Yeah, we do see benefits on  
21 the existing well.

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

24

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1 (No audible response.)

2 BENNY WAMPLER: Is there a motion?

3 (No audible response.)

4 JOSE SIMON: Move to approve.

5 DONALD RATLIFF: Second, Mr. Chairman.

6 BENNY WAMPLER: Motion is second. Any further  
7 discussion?

8 (No audible response.)

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

11 (All members signify by saying yes.)

12 BENNY WAMPLER: Opposed, say no.

13 (No audible response.)

14 BENNY WAMPLER: You have approval. Thank you.

15 MARK SWARTZ: Thank you very much.

16 BENNY WAMPLER: The next item on the agenda is a  
17 petition from Equitable Production Company for pooling of  
18 coalbed methane unit VC-536768, which is docket number VGOB-  
19 05-1115-1530. We'd ask the parties that wish to address the  
20 Board in this matter to come forward at this time.

21 (Pause.)

22 BENNY WAMPLER: And who are you?

23 JIM KAISER: I'm not sure. I know I'm not Melvin  
24

1 Jack Long.

2 (Laughs.)

3 JIM KAISER: All right. 536768?

4 BENNY WAMPLER: Uh-huh.

5 JIM KAISER: Jim Kaiser and Don Hall on behalf of  
6 Equitable Production Company. We'd ask that Mr. Hall be  
7 sworn at this time.

8 (Don Hall is duly sworn.)

9 BENNY WAMPLER: The record will show there are no  
10 others. You may proceed. Do you have any housekeeping with  
11 any...any of these?

12 JIM KAISER: No, Mr. Chairman. We did think about  
13 combining some of them. But sometimes I think it's easier  
14 just to incorporate some testimony and I think it's easier  
15 for Ms. Pigeon---.

16 SHARON PIGEON: Yes.

17 JIM KAISER: ---if we don't do that. We got nine  
18 wells we're pooling here. Just by way of introduction, I  
19 guess, to the whole nine, two of them involve the Yellow  
20 Popular situation, which we had talked about and pooled last  
21 month; two of them involve the unknown heirs of Albert  
22 Hackney; two of them involve the unknown heirs of Lawrence  
23 Turner; and two of them involve one known unleased party, Ms.

24

--

1 Eva Grizzle. They're all really small percentages. One of  
2 them is...we're pooling (inaudible) on a track where---

3 BENNY WAMPLER: Okay. The record will show no  
4 others. You may proceed.

5 JIM KAISER: ---we've got everything leased but the  
6 CBM.

7

8

DON HALL

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

11

DIRECT EXAMINATION

12 QUESTIONS BY MR. KAISER:

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

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

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

19 A. They do.

20 Q. Now, are you familiar with Equitable's  
21 application seeking to pool any unleased interest in the unit  
22 for EPC well number VC-536768, which was dated October the  
23 14th, 2005?

24

--

1 A. Yes.

2 Q. Now, does Equitable own drilling rights in  
3 the unit involved here?

4 A. We do.

5 Q. And prior to filing the application, were  
6 efforts made to contact each of the respondents and an  
7 attempt made to work out a voluntary lease agreement?

8 A. Yes.

9 Q. And what is the interest of Equitable within  
10 the gas estate in this unit?

11 A. We have 96.05% leased.

12 Q. And the interest of Equitable in the coal  
13 estate?

14 A. We have 100% leased.

15 Q. And the one unleased party, Ms. Grizzle, is  
16 set out on Exhibit B-3?

17 A. That's correct.

18 Q. Okay. And the percentage then of the gas  
19 estate that is unleased at this time is 3.95%?

20 A. That's correct.

21 Q. And we do have any unknown entities in this  
22 unit, is that correct?

23 A. That's correct.

24

1 Q. In your professional opinion, was due  
2 diligence exercised to locate each of the respondents named  
3 herein?

4 A. It was.

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

8 A. Yes.

9 Q. Are you requesting this Board to force pool  
10 all unleased interest as listed at Exhibit B-3?

11 A. Yes.

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

15 A. Yes.

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

18 A. We pay a five dollar bonus on a five year  
19 term with a one-eighth royalty.

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

24

--

1           A.       They do.

2           Q.       Now, as to Ms. Grizzle who has not agreed to  
3 voluntarily lease, and apparently we've made...to cover this  
4 for the Board, we've made numerous attempts, even to the  
5 point of actually going out and knocking on her doors and  
6 windows and she won't even come to the door to talk to us, is  
7 that correct?

8           A.       That's correct.

9           Q.       Okay. In regard to her interest that  
10 remains unleased, do you agree that she be allowed the  
11 following options with respect to that interest: 1)  
12 Participation; 2) a cash bonus of five dollars per net  
13 mineral acre plus a one-eighth of eight-eighths royalty; or  
14 3) in lieu of a cash bonus and one-eighth of eight-eighths  
15 royalty share in the operation of the well on a carried basis  
16 as a carried operator under the following conditions: Such  
17 carried operator shall be entitled to the share of production  
18 from the tracts pooled accruing to her interest exclusive of  
19 any royalty or overriding royalty reserved in any leases,  
20 assignments thereof or agreements relating thereto of such  
21 tracts, but only after the proceeds applicable to that share  
22 equal, A) 300% of the share of such costs applicable to the  
23 interest of the carried operator of a leased tract or portion

24

--

1 thereof; or B) 200% of the share of such costs applicable to  
2 the interest of a carried operator of an unleased tract or  
3 portion thereof?

4 A. Yes.

5 Q. Do you recommend that the order provide that  
6 elections by the respondent be in writing and sent to the  
7 applicant at Equitable Production Company, 1710 Pennsylvania  
8 Avenue, P. O. Box 2347, Charleston, West Virginia 25302,  
9 Attention: Melanie Freeman, Regulatory?

10 A. Yes, except we no longer have that P. O.  
11 Box.

12 Q. Oh, okay, sorry. So, just 1710 Pennsylvania  
13 Avenue?

14 A. That's correct.

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

18 A. Yes.

19 Q. Do you recommend that the order provide that  
20 if no written elections was properly made by a respondent,  
21 then that respondent should be deemed to have elected the  
22 cash royalty option in lieu of participation?

23 A. Yes.

24

--

1           Q.       Should the unleased respondent be given 30  
2 days from the date that they receive the recorded Board order  
3 to file their written election?

4           A.       Yes.

5           Q.       If an unleased respondent elects to  
6 participate, should that respondent be given 45 days to pay  
7 the applicant for their proportionate share of actual well  
8 costs?

9           A.       Yes.

10          Q.       Does the applicant expect any party electing  
11 to participate to pay in advance that share of actual  
12 completed well costs?

13          A.       Yes.

14          Q.       Should the applicant be allowed a 120 days  
15 following the recordation date of the Board order and  
16 thereafter annually on that date until production is  
17 achieved, to pay or tender any delay rental or cash bonus  
18 due that respondent under the force pooling order?

19          A.       Yes.

20          Q.       Do you recommend that the order provide that  
21 if a respondent elects to participate but fails to pay their  
22 proportionate share of well costs, then their election to  
23 participate should be treated as having been withdrawn and  
24

1 void and that respondents should be treated just as if no  
2 initial election had been filed under the force pooling  
3 order, in other words, deemed to have leased?

4 A. Yes.

5 Q. Do you recommend that the order provide that  
6 where a respondent elects to participate but defaults in  
7 regard to payment of well costs, any cash sum due that  
8 respondent under the order, in other words, delay rental or  
9 bonus, be paid within 60 days after the last date on which  
10 such respondent could have made arrangements for payment of  
11 those well costs?

12 A. Yes.

13 Q. Do we have conflicting claims? We do, don't  
14 we?

15 (No audible response.)

16 Q. We do have conflicting claims in Tracts 1, 5  
17 and 6, therefore, the Board needs to establish and escrow  
18 account to account for that, is that true?

19 A. That's correct.

20 Q. Okay. And who should be named operator  
21 under any force pooling order?

22 A. Equitable Production Company.

23 Q. And what is the total depth of proposed well  
24

1 under the plan of development?

2 A. 2247 feet.

3 Q. And the estimated reserves for the unit?

4 A. 300 million cubic feet.

5 Q. And are you familiar with the costs for this  
6 well?

7 A. Yes.

8 Q. Has an AFE been reviewed, signed and  
9 submitted to the Board as Exhibit C to the application?

10 A. Yes.

11 Q. Does this AFE, in your opinion, represent a  
12 reasonable estimate of the well costs?

13 A. It does.

14 Q. Could you state both the dry hole costs and  
15 completed well costs for this well?

16 A. The dry hole costs is \$106,095 and the  
17 completed well costs would be \$257,359.

18 Q. Do these costs anticipate a multiple  
19 completion?

20 A. They do.

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

23 A. Yes.

24

--

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

5 A. Yes.

6 MR. KAISER: Nothing further at this time of this  
7 witness, Mr. Chairman.

8 BENNY WAMPLER: Questions from members of the  
9 Board?

10 (No audible response.)

11 BILL HARRIS: Mr. Chairman.

12 BENNY WAMPLER: Mr. Harris.

13 BILL HARRIS: Just one comment about the AFE, and  
14 I think I've mentioned this before, it always very difficult  
15 to find the drilling depth there. Usually, it's not listed.  
16 I'm not....I'm not going to claim it's not listed there.  
17 But there is a place for it. But it's...I may have missed it  
18 somewhere. Even where it says, "Contract Footage", it  
19 gives...I guess, a company and a rate, but not a depth. So--  
20 -.

21 DON HALL: Yeah, I see what you're saying.

22 BILL HARRIS: I'm not sure that the law requires  
23 that it be on your AFE. But, you know, it certainly helps.

24

--

1           DON HALL: Normally in that contract footage, they  
2 have the depth times the footage rate.

3           BILL HARRIS: Yeah, times the actual...yeah, they  
4 left it...I mean, I could---.

5           DON HALL: This one---.

6           BILL HARRIS: ---borrow a calculator and do the  
7 division, but...I mean...and I know it's elsewhere.

8           DON HALL: Yeah.

9           BILL HARRIS: But, I mean, it's just...it just...it  
10 would be nice especially if you'll look at the AFE...the  
11 heading there...well, I'm just scanning that and trying to  
12 find the depth.

13           DON HALL: It's about halfway down in the middle.

14           BILL HARRIS: So, it is in there? I mean, when you  
15 say---.

16           BOB WILSON: No, it's---.

17           BENNY WAMPLER: The numbers is not.

18           DON HALL: The number is not, but the column is.

19           BILL HARRIS: Oh, yeah, the column is. But see  
20 that's always---.

21           DON HALL: I'll pass that along to the engineer  
22 that prepares these.

23           BILL HARRIS: Yeah, if...I mean, that would just be  
24

1 helpful---.

2 DON HALL: Okay.

3 BILL HARRIS: ---in evaluating these. Thank you.

4 DON HALL: Thank you.

5 BENNY WAMPLER: Other questions from members of the  
6 Board?

7 (No audible response.)

8 BENNY WAMPLER: Is there a motion?

9 (No audible response.)

10 BILL HARRIS: Motion for approval.

11 JOSE SIMON: Second.

12 BENNY WAMPLER: Motion is second. Any further  
13 discussion?

14 (No audible response.)

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

17 (All members signify by saying yes, but Donald  
18 Ratliff.)

19 BENNY WAMPLER: Opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: You have approval.

22 DONALD RATLIFF: I'll abstain, Mr. Chairman.

23 BENNY WAMPLER: One abstention, Mr. Ratliff. The  
24

1 next item on the agenda is a petition from Equitable  
2 Production Company for pooling coalbed methane unit VC-  
3 536772. This docket number VGOB-05-1115-1531. We'd ask the  
4 parties that wish to address the Board in this matter to come  
5 forward at this time.

6 JIM KAISER: Again, Mr. Chairman and Board members,  
7 Jim Kaiser and Don Hall on behalf of Equitable.

8 BENNY WAMPLER: The record will show no others.  
9 You may proceed.

10 JIM KAISER: This, again, is a coalbed methane unit  
11 where the only unleased party is Ms. Grizzle.

12

13

DON HALL

14

DIRECT EXAMINATION

15 QUESTIONS BY MR. KAISER:

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

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

20 Q. And are you familiar with the application we  
21 filed seeking to pool the unleased interest in the unit for  
22 EPC well number VC-536772, dated October the 14th, 2005?

23 A. Yes.

24

--

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

3 A. We do.

4 Q. And prior to the filing of the application,  
5 were efforts made to contact each of the respondents, in  
6 particular Ms. Grizzle?

7 A. Yes.

8 Q. And what is the interest in this particular  
9 unit of Equitable in the gas estate?

10 A. We have 99.10% leased.

11 Q. And the interest under lease in the coal  
12 estate?

13 A. 100%.

14 Q. And the one unleased party is set out in  
15 Exhibit B-3?

16 A. That's correct.

17 Q. So, the interest that remains unleased is  
18 .90% of the gas estate, is that correct?

19 A. That's correct.

20 Q. Okay. Okay. And, again, we don't have any  
21 unknown owners within the unit, is that correct?

22 A. That's correct.

23 Q. Okay. In your professional opinion, was due  
24

1 diligence exercised to locate each of the respondents named  
2 in the application?

3 A. Yes.

4 Q. Are the addresses set out in Exhibit B to  
5 the application, the last known addresses for the  
6 respondents?

7 A. They are.

8 Q. Are you requesting this Board to force pool  
9 the unleased interest listed in Exhibit B-3?

10 A. Yes.

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

14 A. Yes.

15 Q. Again, could you advise the Board as to what  
16 those are?

17 A. We pay a five year bonus on a five year term  
18 with a one-eighth royalty.

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

23 A. They do.

24

--

1                   JIM KAISER: Now, Mr. Chairman and Board members,  
2 as to the statutory election options afforded Ms. Grizzle, I  
3 would ask...and her time lines and the ramifications of  
4 making those choices that was previously just taken in VGOB  
5 docket number...the hearing for VGOB docket number 05-1115-  
6 1530, we'd ask that testimony be incorporated.

7                   BENNY WAMPLER: That will be incorporated.

8                   Q.       Mr. Hall, we do, again, have conflicting  
9 claims in this unit. In this case, it would be in regards to  
10 tracts number 3 and 5, is that correct?

11                  A.       That's correct.

12                  Q.       So, the Board needs to...for those two  
13 tracts, the Board needs to establish an escrow account?

14                  A.       Yes.

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

17                  A.       Equitable Production Company.

18                  Q.       And the total depth of this well?

19                  A.       It's 2391 feet.

20                  Q.       And the estimated reserves for the unit?

21                  A.       330 million cubic feet.

22                  Q.       Are you familiar with the well costs?

23                  A.       Yes.

24

1 Q. Has an AFE been reviewed, signed and  
2 submitted to the Board as Exhibit C?

3 A. It has.

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

6 A. Yes.

7 Q. Could you state for the Board the dry hole  
8 costs and complete well costs for this well?

9 A. The dry hole costs is \$109,529 and the  
10 completed costs is \$263,363.

11 Q. And do these costs anticipate a multiple  
12 completion?

13 A. They do.

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

16 A. Yes.

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

21 A. Yes.

22 JIM KAISER: Nothing further of this witness at  
23 this time, Mr. Chairman.

24

--

1           BENNY WAMPLER: Questions from members of the  
2 Board?

3           BILL HARRIS: Mr. Chairman, just a quick---

4           BENNY WAMPLER: Mr. Harris.

5           BILL HARRIS: ---question for informational. On  
6 Exhibit B, you may have had these previously and I just  
7 hadn't noticed it, you have ID numbers in front of all of the  
8 folks there. Some you do and some don't. I mean, Pine  
9 Mountain is listed twice. It has an ID number in one case,  
10 but not in Tract 2, but not in Tract 4. What's...what's the  
11 number designation?

12           DON HALL: Certain counties require, before they'll  
13 record an instrument, that you put the tax ID number---

14           BILL HARRIS: Oh.

15           DON HALL: ---on the instrument.

16           BILL HARRIS: yeah.

17           DON HALL: That's what these numbers are. I think  
18 in Wise and Dickenson County require that currently, and  
19 Tazewell County.

20           BOB WILSON: And Tazewell.

21           BILL HARRIS: So, have we done this all the time?  
22 I just---

23           JIM KAISER: No, it's fairly new.

24

--

1           DON HALL: It's fairly new.

2           BILL HARRIS: Oh, okay, okay.

3           BENNY WAMPLER: A few months.

4           JIM KAISER: Yeah. Probably since, what, maybe  
5 July or so.

6           BENNY WAMPLER: July is what I was thinking.

7           BILL HARRIS: Okay. I guess I've been asleep or  
8 something. Anyway, thank you.

9           BENNY WAMPLER: Other questions?

10           (No audible response.)

11           BENNY WAMPLER: Do you have any further?

12           JIM KAISER: We'd ask that the application be  
13 approved as submitted.

14           BENNY WAMPLER: Is there a motion?

15           JOSE SIMON: Motion to approve.

16           BILL HARRIS: Second.

17           BENNY WAMPLER: Motion to approve and a second.  
18 Any further discussion?

19           (No audible response.)

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

22           (All members signify by saying yes, but Donald  
23 Ratliff.)

24

1           BENNY WAMPLER: Opposed, say no.

2           DONALD RATLIFF: I'll abstain, Mr. Chairman.

3           BENNY WAMPLER: One abstention, Mr. Ratliff. You  
4 have approval. The next item on the agenda is a petition  
5 from Equitable Production Company for pooling of coalbed  
6 methane unit VC-536616. This is docket number VGOB-05-1115-  
7 1532. We'd ask the parties that wish to address the Board in  
8 this matter to come forward at this time.

9           JIM KAISER: Again, Mr. Chairman and Board members,  
10 Jim Kaiser and Don Hall on behalf of Equitable Production  
11 Company.

12           BENNY WAMPLER: The record will show no others.  
13 You may proceed.

14           JIM KAISER: This is one of the Yellow Popular  
15 Lumber Company poolings that most of you will all probably  
16 remember. We had several last month. They're the entity  
17 that probably inadvertently forgot to convey the gas when  
18 they conveyed the other minerals and then disappeared in  
19 1916, I believe, it was.

20

21   DON HALL

22   DIRECT EXAMINATION

23 QUESTIONS BY MR. KAISER:

24

--

1 Q. Mr. Hall, if you'd again, state your name,  
2 who you're employed by and in what capacity?

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

5 Q. And you're familiar with the application we  
6 filed seeking to pool the unleased interest in the unit for  
7 EPC well number VC-536616, dated October the 14th, 2005?

8 A. Yes.

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

11 A. We do.

12 Q. And prior to the filing of the application,  
13 were efforts made to find and contact each of the respondents  
14 and work out a voluntary lease agreement?

15 A. Yes.

16 Q. And what is the interest of Equitable in the  
17 gas estate in the unit?

18 A. We have .5% leased.

19 Q. And the interest of Equitable in the coal  
20 estate?

21 A. We have a 100% leased.

22 Q. And all the unleased parties are set out at  
23 Exhibit B-3?

24

--

1 A. Yes.

2 Q. And you're familiar with the ownership of  
3 drilling rights of parties other than Equitable?

4 A. Yes.

5 Q. So, the percentage of the gas estate that  
6 remains unleased?

7 A. Is 99.5%.

8 Q. Now, we detailed last month, again, the  
9 efforts that were made to locate the...any surveying  
10 shareholders or representatives or, for lack of a better  
11 term, successors to the Yellow Popular Lumber Company. Could  
12 you just touch on that again, I guess, because we've got  
13 another one of these coming up later?

14 A. Yellow Popular acquired the property in  
15 1906. In 1926, I believe it was...or '28, they went bankrupt  
16 and the...a trustee was appointed to convey certain portions  
17 of their property, which they did. But this property was  
18 never conveyed. It got lost in the shuffle somewhere along  
19 the line and it was never conveyed. We've not been able  
20 to...it would probably fall to the shareholders of the Yellow  
21 Popular, whoever they may be. But we've been working on this  
22 tract since 1993 trying to find out...and haven't been able  
23 to---

24

--

1 Q. That includes checking with the secretary of  
2 state and the SCC in Richmond for any kind of filings---?

3 A. Right.

4 Q. ---that may have been there to get any kind-  
5 --?

6 A. That's correct.

7 Q. ---of leads as to who these successors might  
8 have been, right?

9 A. Right.

10 Q. Okay.

11 BENNY WAMPLER: Did you ever have their names?

12 A. No, not really. I mean, it was Yellow  
13 Popular. It was just like any other company. They had  
14 shareholders. But we don't have any record of who those  
15 people are. But the Court appointed Galley Friends as a  
16 Trustee to convey properties. But I like I said, he conveyed  
17 most of their properties. But this got lost in the shuffle  
18 someway or another. It's still out there under the name of  
19 Yellow Popular.

20 Q. So, in your professional opinion, was due  
21 diligence exercised to try locate any of the...all of the  
22 respondents named in the application?

23 A. Yes.

24

--

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

4 A. They are.

5 Q. Are you requesting this Board to force pool  
6 all the unleased interest listed at Exhibit B-3?

7 A. Yes.

8 Q. Again, are you familiar with the fair market  
9 value of drilling rights in the unit here?

10 A. Yes.

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

13 A. We pay a five dollar bonus with a five year  
14 term with a one-eighth royalty.

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

19 A. They do.

20 JIM KAISER: Again, Mr. Chairman, we'd ask that  
21 the...well, I guess, it's not really applicable here. But  
22 we'd still ask that the testimony regarding the statutory  
23 election options taken docket number 1530 be incorporated for  
24

1 purposes of this hearing.

2 BENNY WAMPLER: That will be incorporated.

3 Q. Okay. Mr. Hall, we, obviously, have an  
4 Exhibit E in this case because of Yellow Popular. So, the  
5 Board does need to establish an escrow account for Tract 1,  
6 is that correct?

7 A. That's correct.

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

10 A. Equitable Production Company.

11 Q. And the total depth for this well?

12 A. It's 2453 feet.

13 Q. And the estimated reserves for the unit?

14 A. 230 million cubic feet.

15 Q. Now, are you familiar with the well costs?

16 A. Yes.

17 Q. Has an AFE been reviewed, signed and  
18 submitted to the Board as Exhibit C?

19 A. It has.

20 Q. In your opinion, does this AFE represent a  
21 reasonable estimate of the well costs?

22 A. It does.

23 Q. Could you state for the Board both dry hole  
24

--

1 costs and complete well costs?

2 A. The dry hole costs is \$139,068 and the  
3 completed costs is \$341,976.

4 Q. And do these costs anticipate a multiple  
5 completion?

6 A. They do.

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

9 A. Yes.

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

14 A. Yes.

15 JIM KAISER: Nothing further of this witness at  
16 this time, Mr. Chairman.

17 BENNY WAMPLER: Questions from members of the  
18 Board?

19 (No audible response.)

20 BENNY WAMPLER: Do you have anything further?

21 JIM KAISER: We'd ask that the application be  
22 approved as submitted.

23 BENNY WAMPLER: Is there a motion?  
24  
25



1 QUESTIONS BY MR. KAISER:

2 Q. Mr. Hall, again, state your name, who you're  
3 employed by and in what capacity?

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

6 Q. Okay. This particular involves...we've  
7 got...we're here to pool it because we...in Tract 4 we have,  
8 again, the Albert Hackney heirs who we've pooled previously,  
9 I think probably back in the summer maybe---?

10 A. Yes.

11 Q. ---who, again, are...they're unknown and  
12 unlocateable, is that correct?

13 A. That's correct.

14 Q. Okay. And you're familiar with this  
15 application that we filed seeking to pool that interest?

16 A. Yes.

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

19 A. We do.

20 Q. And what is the interest of Equitable in the  
21 gas estate within the unit?

22 A. We have 94.2% of the gas leased.

23 Q. And the coal?

24

--

1 A. 94.2% of coal as well.

2 Q. And the one unleased party is set out in  
3 Exhibit B-3?

4 A. Yes.

5 Q. So, the interest in both the gas and coal  
6 estate that remains unleased is represented by that fee tract  
7 for that unknown Albert Hackney heirs and it would represent  
8 5.8%?

9 A. That's correct.

10 Q. Okay. Again, I know you just talked about  
11 what you did to attempt to locate any successors to Yellow  
12 Popular. But in this particular case with the Albert Hackney  
13 heirs, were reasonable and diligent efforts made and sources  
14 checked to identify and locate these unknown heirs including  
15 primary sources such as deed records, probate records,  
16 assessor's records, treasurer's records and secondary sources  
17 such as telephone directories, city directories, family or  
18 friends?

19 A. Yes.

20 Q. In your professional opinion, was due  
21 diligence exercised to locate...exercised to locate each of  
22 the respondents named in the application?

23 A. It was.

24

--

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

4 A. Yes.

5 Q. Are you requesting this Board to force pool  
6 the unleased interest as listed at Exhibit B-3?

7 A. We are.

8 Q. Again, are you familiar with the fair market  
9 value of drilling rights?

10 A. Yes.

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

13 A. We pay a five...five year bonus on a five  
14 year term with a one-eighth rental.

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

19 A. We do.

20 JIM KAISER: Again, Mr. Chairman, I'd ask to  
21 incorporate the statutory election option testimony taken in  
22 docket number 1530.

23 BENNY WAMPLER: That will be incorporated.

24

--

1 Q. Okay. Now, in this case, Mr. Hall, the  
2 Board does need to establish an escrow account for Tract 4,  
3 not because it's a conflicting claim, but because it's an  
4 unknown and unlocateable, right?

5 A. That's correct.

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

8 A. Equitable Production Company.

9 Q. And the total depth for this proposed well?

10 A. 2495 feet.

11 Q. And the estimated reserves for the life of  
12 the unit?

13 A. 330 cubic...230 million cubic feet.

14 Q. Are you familiar with the well costs?

15 A. Yes.

16 Q. An AFE has been reviewed, signed and  
17 submitted to the Board as Exhibit C?

18 A. It has.

19 Q. In your opinion, does it represent a  
20 reasonable estimate of the well costs?

21 A. Yes.

22 Q. Could you state for the Board both dry hole  
23 costs and complete well costs for this well?

24

1           A.       The dry hole costs is \$120,169 and the  
2 completed costs is \$283,653.

3           Q.       Do these costs anticipate a multiple  
4 completion?

5           A.       They do.

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

8           A.       Yes.

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

13          A.       Yes.

14          JIM KAISER: Nothing further of this witness, Mr.  
15 Chairman.

16          BENNY WAMPLER: Questions from members of the  
17 Board?

18                (No audible response.)

19          BENNY WAMPLER: Do you have anything further?

20          JIM KAISER: We'd ask that the application be  
21 approved as submitted. I also interject here that we've got  
22 nine applications before you today for force poolings and no  
23 revised exhibits.

24

--

1 (Laughs.)

2 JIM KAISER: That may be the first time that's ever  
3 happened.

4 BENNY WAMPLER: Is there a motion?

5 JOSE SIMON: So moved to approve.

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

8 BILL HARRIS: Second.

9 BENNY WAMPLER: Second. Any further discussion?  
10 (No audible response.)

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

13 (All members signify by saying yes, but Donald  
14 Ratliff.)

15 BENNY WAMPLER: Opposed, say no.

16 DONALD RATLIFF: I'll abstain, Mr. Chairman.

17 BENNY WAMPLER: You have approval. One abstention,  
18 Mr. Ratliff. The next item on the agenda is a petition from  
19 Equitable Production Company for pooling of coalbed methane  
20 unit VC-503440, docket number VGOB-05-1115-1534. We'd ask  
21 the parties that wish to address the Board in this matter to  
22 come forward at this time.

23 JIM KAISER: Mr. Chairman, again, Don Hall and Jim  
24

1 Kaiser on behalf of Equitable Production Company. This will  
2 be the first of two wells that you'll see that we're pooling,  
3 again, just one entity. In this case it's represented in the  
4 gas estate in Tract 3 and it's the unknown and unlocateable  
5 Lawrence Turner heirs. I believe the next one is also  
6 Lawrence Turner.

7

8

DON HALL

9

DIRECT EXAMINATION

10 QUESTIONS BY MR. KAISER:

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

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

15 Q. And you're familiar with this application  
16 that we filed seeking to pool any unleased interest in the  
17 unit for EPC well number VC-503440 dated October the 14th,  
18 2005?

19 A. Yes.

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

22 A. We do.

23 Q. Prior to filing the application, were  
24

--

1 efforts made to contact each of the respondents named and an  
2 attempt to work out a voluntary agreement with them?

3 A. Yes.

4 Q. What is the interest of Equitable in the gas  
5 estate under lease?

6 A. We have 94.77% of the gas leased.

7 Q. And what percentage of the coal estate is  
8 under lease?

9 A. We have 100% of coal estate leased.

10 Q. And all the unleased parties are...or the  
11 unleased party is set out in Exhibit B-3?

12 A. They are.

13 Q. So, at this time, the only unleased interest  
14 in the unit is 5.23% of the gas estate?

15 A. That's correct.

16 Q. Okay. And, again, since we have an unknown  
17 entity represented in Tract 3, were reasonable and diligent  
18 efforts made and sources checked to identify and locate any  
19 unknown heirs to include primary sources such as deed  
20 records, probate records, assessor's records, treasurer's  
21 records and secondary sources such as telephone directories,  
22 city directories, family and/or friends?

23 A. Yes.

24

--

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

4 A. It was.

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

8 A. Yes.

9 Q. Are you requesting this Board to force pool  
10 all unleased interest as listed at Exhibit B-3?

11 A. Yes.

12 Q. Again, are you familiar with the fair market  
13 value of drilling rights here?

14 A. Yes.

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

17 A. We pay a five dollar bonus on a five year  
18 term with a one-eighth royalty.

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

23 A. They do.

24

--

1           JIM KAISER: Okay. And, again, Mr. Chairman, we'd  
2 ask that the statutory election option testimony that was  
3 taken in 1530 be incorporated for purposes of this hearing.

4           BENNY WAMPLER: That will be incorporated.

5           Q.       Okay. Now, and again in this case, Mr.  
6 Hall, we have an unknown fee tract. So, the Board needs to  
7 establish a...is that right, needs to establish an  
8 escrow...no, we got several.

9           A.       It's just some unknown gas tract.

10          Q.       Yeah, unknown gas tract. Do we have some  
11 conflicting claims too?

12          A.       Yes.

13          Q.       So, we need an escrow account established  
14 for Tracts 2, 3 and 4, is that correct?

15          A.       That's correct.

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

18          A.       Equitable Production Company.

19          Q.       And the total depth for this proposed well?

20          A.       2564 feet.

21          Q.       And the estimated reserves for the unit?

22          A.       330 million cubic feet.

23          Q.       Are you familiar with the well costs?

24

--

1 A. Yes.

2 Q. An AFE has been reviewed, signed and  
3 submitted to the Board as Exhibit C to the application?

4 A. It has.

5 Q. In your opinion...professional opinion, do  
6 you think the AFE represents a reasonable estimate of the  
7 well costs?

8 A. Yes.

9 Q. And what's both dry hole and complete well  
10 costs for this well?

11 A. The dry hole costs is \$107,502 and the  
12 completed costs is \$300,094.

13 Q. Do these costs anticipate a multiple  
14 completion?

15 A. They do.

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

18 A. Yes.

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

23 A. Yes.

24

--

1           JIM KAISER: Nothing further of this witness, Mr.  
2 Chairman. We'd ask that the application be approved as  
3 submitted.

4           BENNY WAMPLER: Any questions from members of the  
5 Board?

6           (No audible response.)

7           BENNY WAMPLER: Is there a motion?

8           DONALD RATLIFF: So moved, Mr. Chairman.

9           BENNY WAMPLER: Motion for approval.

10          BILL HARRIS: Second.

11          BENNY WAMPLER: Second. Any further discussion?

12          (No audible response.)

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

15          (All members signify by saying.)

16          BENNY WAMPLER: Opposed, say no.

17          (No audible response.)

18          BENNY WAMPLER: You have approval. The next item  
19 on the agenda is a petition from Equitable Production Company  
20 for pooling of coalbed methane unit VC-536082. This is  
21 docket number VGOB-05-1115-1535. We'd ask the parties that  
22 wish to address the Board in this matter to come forward at  
23 this time.

24

--



1 lease?

2 A. Yes.

3 Q. And the one unleased party is set out in  
4 Exhibit B-3?

5 A. Yes.

6 Q. And the interest of the gas estate that  
7 remains unleased is 1.74%?

8 A. That's correct.

9 Q. And, again, you made all reasonable and  
10 diligent efforts and checked all sources to try to identify  
11 these unknown heirs?

12 A. Yes.

13 Q. In your professional opinion, was due  
14 diligence exercised to locate each of the respondents named  
15 in the application?

16 A. Yes.

17 Q. Are the addresses set out in Exhibit B to  
18 the application, the last known addresses for the  
19 respondents?

20 A. They are.

21 Q. Are you requesting this Board to force pool  
22 the unleased interest as listed at Exhibit B-3?

23 A. Yes.

24

--

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

4 A. Yes.

5 Q. Again, advise the Board as to what those  
6 are?

7 A. We pay a five dollar bonus on a five year  
8 term with a one-eighth royalty.

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

13 A. They do.

14 JIM KAISER: Mr. Chairman, again, we'd ask that the  
15 statutory election option testimony be...that was taken in  
16 item 1530 be incorporated for purposes of this hearing.

17 BENNY WAMPLER: That will be incorporated.

18 Q. And, Mr. Hall, in this particular case, in  
19 accordance with our Exhibit E, the Board will need to  
20 establish an escrow account for purposes of conflicting  
21 claims and unknown and unlocateable interest owners for all  
22 four tracts, 1, 2, 3 and 4, is that correct?

23 A. About 4 of the 5...there's 5 tracts.

24

--

1 Q. Oh, is there 5?  
2 A. Yeah.  
3 Q. 4 to 5...1, 2, 3 and 4, right?  
4 A. Right.  
5 Q. And who should be named the operator under  
6 the force pooling order?  
7 A. Equitable Production Company.  
8 Q. And what's the total depth of this proposed  
9 well?  
10 A. 2853 feet.  
11 Q. And the estimated reserves over the life of  
12 the unit?  
13 A. 330 million cubic feet.  
14 Q. Are you familiar with the well costs?  
15 A. Yes.  
16 Q. An AFE has been reviewed, signed and  
17 submitted to the Board as Exhibit C?  
18 A. It has.  
19 Q. Does the AFE, in your opinion, represent a  
20 reasonable estimate of the well costs?  
21 A. Yes.  
22 Q. Could state both the dry hole costs and  
23 complete well costs for this well?  
24

1           A.       The dry hole costs is \$130,136 and the  
2 completed costs is \$318,123.

3           Q.       Do these costs anticipate a multiple  
4 completion?

5           A.       They do.

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

8           A.       Yes.

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

13          A.       Yes.

14          JIM KAISER: Nothing further of this witness, Mr.  
15 Chairman.

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

18                (No audible response.)

19          BENNY WAMPLER: Is there a motion?

20          DONALD RATLIFF: So moved, Mr. Chairman.

21          BENNY WAMPLER: Is there a second?

22          JOSE SIMON AND PEGGY BARBAR: Second.

23          BENNY WAMPLER: Second. Any further discussion?  
24  
25

1 (No audible response.)

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

4 (All members signify by saying.)

5 BENNY WAMPLER: Opposed, say no.

6 (No audible response.)

7 BENNY WAMPLER: You have approval. The next item  
8 on the agenda is a petition from Equitable Production Company  
9 for pooling of coalbed methane unit VC-536054, docket number  
10 VGOB-05-1115-1536. We'd ask the parties that wish to address  
11 the Board in this matter to come forward at this time.

12 JIM KAISER: Again, Mr. Chairman, Jim Kaiser and  
13 Don Hall on behalf of Equitable Production Company.

14 BENNY WAMPLER: The record will show no others.  
15 You may proceed.

16

17 DON HALL

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. KAISER:

20 Q. Mr. Hall, are you familiar with our  
21 application that we filed seeking to pool the unleased  
22 interest in the unit for EPC well number VC-526054, dated  
23 October the 14th, 2005?

24

--

1           A.       Yes.

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

4           A.       We do.

5           Q.       And prior to filing the application, were  
6 efforts made to contact each of the respondent and an attempt  
7 made to work out an agreement?

8           A.       Yes.

9           Q.       What is the interest of Equitable that's  
10 under lease in the gas estate?

11          A.       We have 97.89% leased.

12          Q.       And the interest under lease in the coal  
13 estate?

14          A.       100%.

15          Q.       And all the unleased parties are set out in  
16 B-3?

17          A.       They are.

18          Q.       So, the only unleased interest is 2.11% of  
19 the gas estate?

20          A.       That's correct.

21          Q.       Okay. All right, and here we don't have any  
22 unknowns, is that correct?

23          A.       That's correct.

24

1 Q. Are the addresses set out in Exhibit B to  
2 the application, the last known addresses for the  
3 respondents?

4 A. Yes.

5 Q. Are you requesting this Board to force pool  
6 all unleased interest listed at Exhibit B-3?

7 A. Yes.

8 Q. Now, are you familiar with the fair market  
9 value of drilling rights here?

10 A. Yes.

11 Q. Advise the Board as to what those are.

12 A. We pay a five dollar bonus on a five year  
13 term with a one-eighth royalty.

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

18 A. It does.

19 Q. Okay. And on this particular well...in this  
20 particular unit, the Board does need to establish a escrow  
21 account for conflicting claims for purposes to cover both  
22 Tracts 1 and 3, is that correct?

23 A. That's correct.

24

--

1 Q. Okay. And who should be named the operator  
2 under the force pooling order?  
3 A. Equitable Production Company.  
4 Q. And the total depth for this well?  
5 A. It's 2790 feet.  
6 Q. And the estimated reserves over the life of  
7 the unit?  
8 A. 250 million cubic feet.  
9 Q. 250 million?  
10 A. Yes.  
11 Q. Okay. And has an AFE has been reviewed,  
12 signed and submitted to the Board?  
13 A. It has.  
14 Q. In your opinion, does it represent a  
15 reasonable estimate of the well costs?  
16 A. Yes.  
17 Q. Would you state both the dry hole costs and  
18 complete well costs for this well?  
19 A. The dry hole costs is \$140,243 and the  
20 completed costs is \$305,546.  
21 Q. Do these costs anticipate a multiple  
22 completion?  
23 A. They do.

24

--

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

3 A. Yes.

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

8 A. Yes.

9 JIM KAISER: Nothing further of this witness at  
10 this time, Mr. Chairman.

11 BENNY WAMPLER: One, your Exhibit E for gas estate,  
12 you show the ACIN, LLC as leased. That should be released, I  
13 take it.

14 DON HALL: Well, actually---

15 BENNY WAMPLER: Or does it?

16 JIM KAISER: Good pickup. I was going to ask him  
17 to explain that and I forgot.

18 DON HALL: Actually, we do have an oil and gas  
19 lease from that tract, but we went back to get a modification  
20 or ratification to include coalbed methane and they didn't  
21 want to give it to us in this particular situation. So,  
22 there was some other things involved, some other negotiations  
23 and so forth. So, both parties basically agreed to pursue it

24

--

1 as a force pooling to add the CBM portion. We have an oil  
2 and gas lease on it.

3 BENNY WAMPLER: Other questions from members of the  
4 Board?

5 (No audible response.)

6 BENNY WAMPLER: Is there a motion?

7 BILL HARRIS: Motion for approval, Mr. Chairman.

8 BENNY WAMPLER: Is there a second?

9 PEGGY BARBAR: Second.

10 BENNY WAMPLER: Second. Any further discussion?

11 (No audible response.)

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

14 (All members signify by saying, but Donald  
15 Ratliff.)

16 BENNY WAMPLER: Opposed, say no.

17 DONALD RATLIFF: I'll abstain, Mr. Chairman.

18 BENNY WAMPLER: One abstention, Mr. Ratliff. You  
19 have approval. The next item on the agenda is a petition  
20 from Equitable Production Company for pooling of coalbed  
21 methane unit VC-536475. This docket number VGOB-05-1115-  
22 1537. We'd ask the parties that wish to address the Board in  
23 this matter to come forward at this time.

24

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1                    JIM KAISER: Again, Mr. Chairman, Jim Kaiser and  
2 Don Hall on behalf of Equitable Production Company. This is  
3 our second unknown Albert Hackney heirs pooling.

4                    BENNY WAMPLER: The record will show no others.  
5 You may proceed.

6

7

DON HALL

8

DIRECT EXAMINATION

9 QUESTIONS BY MR. KAISER:

10                    Q.        Mr. Hall, you're familiar with the  
11 application that we filed seeking to pool the unleased  
12 interest of the unknown heirs of Albert Hackney, dated  
13 October 14, 2005?

14                    A.        Yes.

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

17                    A.        We do.

18                    Q.        And prior to filing the application, were  
19 efforts made to contact each of the respondents named in  
20 Exhibit B and an attempt to work out a voluntary agreement?

21                    A.        Yes.

22                    Q.        What is the interest under lease to  
23 Equitable in the gas estate in the unit?

24

--

1           A.       We have 98.13% leased.

2           Q.       And also 98.13% of the coal estate?

3           A.       That's correct.

4           Q.       And the one unleased party is set out in

5 Exhibit B-3?

6           A.       That's correct.

7           Q.       So, in both the gas estate and the coal

8 estate, the part represented by the...I believe it was Tract

9 5, by the unknown heirs of Albert Hackney is 1.87%?

10          A.       That's correct.

11          Q.       Okay. And, again, you're testifying under

12 oath that you made reasonable and diligent efforts including

13 checking primary and secondary sources to try and locate

14 these unknown heirs?

15          A.       Yes.

16          Q.       Okay. In your opinion...professional...in

17 your professional opinion, was professional due diligence

18 exercised to locate these people?

19          A.       Yes.

20          Q.       Okay. And are the addresses set out in

21 Exhibit B to the application, the last known addresses for

22 the respondents?

23          A.       Yes.

24  
25

1 Q. Are you requesting this Board to force pool  
2 all unleased interest as listed at Exhibit B-3?

3 A. Yes.

4 Q. Again, are you familiar with the fair market  
5 value to be paid for drilling rights in this area?

6 A. Yes.

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

9 A. We pay a five dollar bonus on a five year  
10 term with a one-eighth royalty.

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

15 A. They do.

16 Q. Okay. In this particular case...oh, I'm  
17 sorry.

18 JIM KAISER: I'd, again, ask that the testimony  
19 taken in item 1530 regarding the statutory elections afforded  
20 unleased parties be incorporated for purposes of this  
21 hearing.

22 BENNY WAMPLER: That will be incorporated.

23 Q. And in this particular unit, Mr. Hall, we  
24

1 just have a...we don't have any conflicting claim, but we  
2 have an unknown or unlocateable interest. So, the Board  
3 needs to establish an escrow account for Tract 5, is that  
4 correct?

5 A. That's correct.

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

8 A. Equitable Production Company.

9 Q. The total depth of the well here?

10 A. 2362 feet.

11 Q. The estimated reserves over the life of the  
12 unit?

13 A. 330 million cubic feet.

14 Q. Are you familiar with the well costs?

15 A. Yes.

16 Q. An AFE has been reviewed, signed and  
17 submitted to the Board as Exhibit C?

18 A. It has.

19 Q. In your professional opinion, does that AFE  
20 represent a reasonable estimate of the well costs?

21 A. Yes.

22 Q. Could you state both the dry hole costs and  
23 complete well costs for the Board?

24

--

1           A.       The dry hole costs is \$130,738 and the  
2 completed costs is \$326,377.

3           Q.       Do these costs anticipate a multiple  
4 completion?

5           A.       They do.

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

8           A.       Yes.

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

13          A.       Yes.

14          JIM KAISER: Nothing further of this witness, Mr.  
15 Chairman.

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

18                 (No audible response.)

19          BENNY WAMPLER: Is there a motion?

20          JOSE SIMON: Motion to approve, Mr. Chairman.

21          BENNY WAMPLER: Is there a second?

22          PEGGY BARBAR: I second.

23          BENNY WAMPLER: Motion to approve and second. Any  
24  
25

1 further discussion?

2 (No audible response.)

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

5 (All members signify by saying, but Donald  
6 Ratliff.)

7 BENNY WAMPLER: Opposed, say no.

8 DONALD RATLIFF: I abstain.

9 BENNY WAMPLER: You have approval. We have one  
10 abstention, Mr. Ratliff. The next item on the agenda is a  
11 petition from Equitable Production Company for pooling of  
12 coalbed methane unit VC-536612, docket number VGOB-05-1115-  
13 1538. We'd ask the parties that wish to address the Board in  
14 this matter to come forward at this time.

15 JIM KAISER: Mr. Chairman and Board members, Jim  
16 Kaiser and Don Hall, again, on behalf of Equitable Production  
17 Company. This is our second unit we're pooling Yellow  
18 Popular Lumber Company.

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

21

22

23

DON HALL

24

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1 DIRECT EXAMINATION

2 QUESTIONS BY MR. KAISER:

3 Q. Mr. Hall, are you familiar with the  
4 application that we filed seeking an order pooling that  
5 unleased interest of Yellow Popular well VC-536612?

6 A. Yes.

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

9 A. We do.

10 Q. This will be a given. What is the interest  
11 of Equitable in the gas estate in the unit?

12 A. 0%.

13 Q. And what is the interest of Equitable in the  
14 coal estate in the unit?

15 A. 100%.

16 Q. Okay. And the unleased parties are set out  
17 in Exhibit B-3?

18 A. That's correct.

19 Q. So, it goes without saying, I guess, that a  
20 100% of the gas estate is unleased?

21 A. That's correct.

22 Q. Okay. And, again, you're testifying under  
23 oath that reasonable and diligent efforts were made and all  
24

1 kinds of stuff was checked out as you testified in hearing  
2 number 1530 today to try to find some sort of successor to  
3 Yellow Popular?

4 A. Yes.

5 Q. The addresses set out in Exhibit B to the  
6 application, the last known addresses for the respondents?

7 A. They.

8 Q. And you're requesting this Board to force  
9 pool all unleased interest listed at Exhibit B-3?

10 A. Yes.

11 Q. Are you familiar with the fair market value  
12 of drilling rights in the unit here?

13 A. Yes.

14 Q. Again, advise the Board as to what those  
15 are.

16 A. We pay a five dollar bonus on a five year  
17 term with a one-eighth royalty.

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

22 A. They do.

23 JIM KAISER: Again, Mr. Chairman, I'd ask that the  
24

1 election options afforded the unleased party as pointed out  
2 in hearing 1530 be incorporated for purposes of this hearing.

3 BENNY WAMPLER: It will be incorporated.

4 Q. And in this particular case, Mr. Hall, we  
5 have both an unknown/unlocateable and a conflicting claim to  
6 Tract 1, which basically represents the entire unit. So, all  
7 the...the Board will need to establish an escrow account to  
8 escrow all the royalty involved in this unit, right?

9 A. That's correct.

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

12 A. Equitable Production Company.

13 Q. And the total depth for this proposed well?

14 A. 2269 feet.

15 Q. And the estimated reserves over the life of  
16 the unit?

17 A. 230 million cubic feet.

18 Q. Are you familiar with the well costs?

19 A. Yes.

20 Q. Has an AFE has been reviewed, signed and  
21 submitted to the Board as Exhibit C?

22 A. It has.

23 Q. In your professional opinion, does his AFE  
24

1 represent a reasonable estimate of the well costs?

2 A. It does.

3 Q. Could you point out both the dry hole costs  
4 and complete well costs for this well?

5 A. The dry hole costs is \$109,567 and the  
6 completed costs is \$252,522.

7 Q. I'm sorry, 352?

8 A. 352,552.

9 JIM KAISER: Have I got that wrong on the  
10 application?

11 BENNY WAMPLER: It's wrong on the application.

12 JIM KAISER: Yeah, I've got 522.

13 Q. So, the AFE reflects 552?

14 A. Yes.

15 JIM KAISER: Okay. I'm sorry. It should be 552.

16 Q. Do these costs anticipate a multiple  
17 completion?

18 A. Yes.

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

21 A. It does.

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

24

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

3 A. Yes.

4 JIM KAISER: Nothing further of this witness at  
5 this time, Mr. Chairman.

6 BENNY WAMPLER: Questions from members of the  
7 Board?

8

9 (No audible response.)

10 BENNY WAMPLER: Is there a motion?

11 BILL HARRIS: I move for approval.

12 JOSE SIMON: Second.

13 BENNY WAMPLER: Motion is second. Any further  
14 discussion?

15 (No audible response.)

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

18 (All members signify by saying, but Donald  
19 Ratliff.)

20 BENNY WAMPLER: Opposed, say no.

21 DONALD RATLIFF: I'll abstain, Mr. Chairman.

22 BENNY WAMPLER: You have approval. One  
23 abstention, Mr. Ratliff. Finally on the agenda is the  
24

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1 minutes from the last hearing.

2 JIM KAISER: Just for a second.

3 BENNY WAMPLER: Yes.

4 JIM KAISER: Could I ask...and I probably  
5 should...I should have asked this when we first started out  
6 today, but is it possible to...we've continued---

7 BENNY WAMPLER: Twenty-one.

8 JIM KAISER: Twenty-one I definitely want to  
9 continue until December. We'll be ready to go then. He must  
10 have just had some kind of conflict as to why he couldn't be  
11 here today. He's got a lot of drilling supervision that he's  
12 doing and stuff and I know he wants to get that one pooled.  
13 And we also filed for the December docket for Hard Rock to  
14 pool wells thirteen and fourteen. But as far as this item  
15 number one goes, is it possible to take that on out to like  
16 January instead of putting it on December because it's going  
17 to take a while to resolve that one, I think?

18 BENNY WAMPLER: That's all right. We'll move it to  
19 January.

20 JIM KAISER: Okay. I'll just clear it off the  
21 December docket. Thank you.

22 BENNY WAMPLER: Okay. The minutes have been...I  
23 think the minutes have been previously distributed. A motion

24

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1 to approve?

2 DONALD RATLIFF: I move that we approve the  
3 minutes, Mr. Chairman.

4 PEGGY BARBAR: I'll second.

5 BENNY WAMPLER: Second. Any further discussion?

6 (No audible response.)

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

9 (All members signify by saying yes.)

10 BENNY WAMPLER: Opposed, say no.

11 (No audible response.)

12 BENNY WAMPLER: We have approval of the minutes.  
13 Anything further by any Board member?

14 (No audible response.)

15 BENNY WAMPLER: Mr. Wilson?

16 BOB WILSON: I'd just ask everybody to hang onto  
17 the items that were carried forward and, Mr. Simon, I'll get  
18 you a copy of the ones that came from last time.

19 BENNY WAMPLER: All right. Thank you.

20 JIM KAISER: Everybody remember we're a week early  
21 next month.

22 BENNY WAMPLER: That concludes the hearing.

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

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

Given under my hand and seal on this the 8th day of December, 2005.

NOTARY PUBLIC

My commission expires: August 31, 2009.