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IN THE COUNTY OF WASHINGTON

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

MARCH 21, 2006

APPEARANCES:

BOARD MEMBERS:

- PEGGY BARBAR - PUBLIC MEMBER
- MARY QUILLEN - PUBLIC MEMBER
- BILL HARRIS - PUBLIC MEMBER
- DONALD RATLIFF - COAL REPRESENTATIVE
- JAMES McINTYRE - PUBLIC MEMBER

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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12 *Approve minutes

13 **Discuss escrow account

14
15
16

17 BENNY WAMPLER: Okay, good morning. My name is Benny
18 Wampler. I'm Deputy Director for the Department of Mines, Minerals and Energy
19 and Chairman of the Gas and Oil Board. I'll ask the members to introduce
20 themselves starting with Ms. Quillen.

21 MARY QUILLEN: Mary Quillen citizen member and Director
22 Academic Programs for the University of Virginia for the Higher Education Center
23 here in Abingdon.

24

1 PEGGY BARBAR: Good morning, I'm Peggy Barbar, Dean of
2 Engineering at Southwest Virginia Community College and I'm a member...a
3 public member.

4 BILL HARRIS: I'm Bill Harris, a public member from Wise County.

5 SHARON PIGEON: I'm Sharon Pigeon with the Office of the
6 Attorney General.

7 DONALD RATLIFF: Donnie Ratliff from Wise County representing
8 the coal industry.

9 JAMES McINTRYE: Jim McIntrye, I'm from Wise, Virginia. I'm a
10 citizen member.

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

13 BENNY WAMPLER: The first item on today's agenda is a petition
14 from CNX Gas Company, LLC for pooling of coalbed methane unit C-50. This is
15 docket number VGOB-06-0117-1556, continued from February. We'd ask the
16 parties that wish to address the Board in this matter to come forward at this time.

17 MARK SWARTZ: Mark Swartz and Les Arrington.

18 TIM SCOTT: Tim Scott and Jeff Taylor for Geo Met.

19 BENNY WAMPLER: The record will show no others. You may
20 proceed. Go ahead and swear the witnesses in. Do you have a witness?

21 TIM SCOTT: Yes, sir.

22 BENNY WAMPLER: We'll go ahead and get them sworn in.

23 (Jeff Taylor and Leslie K. Arrington are duly sworn.)

24

--

1 BENNY WAMPLER: You may proceed.

2

3 LESLIE K. ARRINGTON

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

5 DIRECT EXAMINATION

6 QUESTIONS BY MR. SWARTZ:

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

8 A. Leslie K. Arrington.

9 (Leslie K. Arrington confers with Mark Swartz.)

10 Q. Your name again.

11 A. Leslie K. Arrington.

12 Q. Who do you work for?

13 A. CNX Gas Company, LLC.

14 Q. What do you do for them?

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

16 Q. With regard to this application concerning C-50, did you
17 sign both the notice and the application?

18 A. Yes, I did.

19 Q. And were those documents and the attached... and the
20 exhibits submitted therewith, something that either you prepared yourself or was
21 prepared under your direction?

22 A. Yes, it was.

23 Q. Okay. This is an Oakwood I unit?

24

25

1 A. Yes, it is.

2 Q. How many acres?

3 A. 80.

4 Q. How many wells are proposed?

5 A. One.

6 Q. Do you have a permit for that well?

7 A. Yes, we do. 7023.

8 Q. And then estimated depth is?

9 A. 2192 at a cost of \$245,113.56. I have a revised cost

10 estimate for that.

11 (Leslie K. Arrington passes out a revised exhibit.)

12 Q. It looks like you have the same number that you had when

13 you submitted the...no, the number has gone up, hasn't it?

14 A. Yes, it has.

15 Q. Okay, what's...what's the revised estimate?

16 A. The revised estimate is \$245,113.56.

17 Q. And what was the reason for the change?

18 A. We had overlooked a couple of items, right-of-ways, for

19 instance. I know right-of-way was on of them. There's a couple of items we had

20 missed.

21 Q. Okay. So, when you checked the original, you found a

22 couple of things you had left out or needed to be a slightly larger number and you

23 took care of it?

24

1 A. Right.

2 Q. Okay. And this is dated when?

3 A. March the 20th, 2006.

4 Q. And who prepared the updated one?

5 A. I did.

6 Q. Okay. And that's your signature?

7 A. Yes, it is.

8 Q. Okay. Who is the applicant?

9 A. CNX Gas Company, LLC.

10 Q. And who is it that the applicant is requesting would be

11 appointed designated operator if the Board were to pool this unit?

12 A. CNX Gas Company.

13 Q. Okay. Is CNX Gas Company, LLC a Virginia General

14 Partnership?

15 A. Yes, it is.

16 Q. Okay. Is it authorized to do business in the

17 Commonwealth?

18 A. Yes, it is.

19 Q. Does it have a bond on file with the DMME?

20 A. Yes, it does.

21 Q. And has it registered with both the DGO and the DMME?

22 A. Yes.

23 Q. Okay. The...has CNX been able to lease a good bit of this

24

1 unit?

2 A. Yes.

3 Q. Okay. Could you tell the Board what interests you've been
4 able to acquire and what you are seeking to pool?

5 A. Yes, we've acquired 61.225% of the coal, oil and gas
6 owner's claim to coalbed methane. We're seeking to pool 38.775% of the coal, oil
7 and gas owner's claim to coalbed methane.

8 Q. And what did you do to notify people that there would be a
9 hearing today?

10 A. We published in the Bluefield Daily Telegraph on
11 December the 26th, 2005 and mailed by certified mail return receipt requested on
12 December the 15th, 2005.

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

14 A. The notice of hearing and attached location map.

15 Q. Okay. And have you filed proofs of publication and your
16 certificates with regard to mailing with Mr. Wilson?

17 A. Yes, we have.

18 Q. Okay. There are a couple of revised exhibits that you
19 passed out this morning---

20 A. Yes.

21 Q. ---specifically B-3 and E.

22 A. That's correct, it is.

23 Q. And were those occasioned by communication from one of
24

1 your lessors?

2 A. It was one of the pooled interest, yes.

3 Q. Okay. And what...what's the difference? What's the

4 change from---?

5 A. We had to correct the...I'll tell you here in a minute. The oil

6 and gas interest.

7 Q. Okay. Involving the (inaudible)?

8 A. Yes.

9 Q. Okay. The same people, but just...you just changed the

10 percentages and the lineup, correct?

11 A. Yes.

12 Q. Okay. And you're showing a revision date of 2/2/06 on the

13 revised Exhibit B-3?

14 A. That's correct.

15 Q. And that also...then...is the same changes would be

16 reflected in Exhibit E, is that correct?

17 A. Yes.

18 Q. Okay. Do you have other wells in neighboring units?

19 A. Yes, we do.

20 Q. Taking the map of A-1 just as an illustration, that's

21 attached to the original,---.

22 A. Yes.

23 Q. ---you've darkened or greyed out the C-50 unit.

24

1 A. Yes.

2 Q. What units do you have wells in around there?

3 A. The southern units. We are presently constructing on the
4 eastern unit.

5 Q. Okay. When you say the southern unit, do you mean the
6 D-50?

7 A. D-50 and 51.

8 Q. Okay. And then the eastern unit would
9 be---?

10 A. B-51. B-51...no, let's see, that's
11 C-50...we're presently constructing C-51, I'm sorry.

12 Q. Okay. Do you have a permit, obviously, then for C-51?

13 A. Yes, we do.

14 Q. Where does your line...gathering line or collection line run
15 or where does it...where does---?

16 A. It's all coming from the south running into those units.

17 Q. Okay. And how close is it?

18 A. Relatively speaking, I...I mean, we generally have 1500
19 feet of pipe per well. So, you know, we're probably---.

20 Q. So, it probably wouldn't---?

21 A. ---1500 to 1800 feet away.

22 Q. Okay. And where does that collection line go then?

23 A. It goes to the south and connects into our collection
24

1 system.

2 Q. Okay. And, ultimately, where does that collection system
3 go?

4 A. Into our Cardinal Tube Pipeline System.

5 Q. Okay. Which then goes into West Virginia?

6 A. Yes.

7 Q. Okay. And into what would be a (inaudible) line, I guess,
8 or Columbia?

9 A. No, Columbia.

10 Q. Okay. You have listed in your notice of hearing and in
11 your revised Exhibit B-3 the names of the people you're seeking to pool, correct?

12 A. Yes, we are.

13 Q. Do you want to add anybody to that list today?

14 A. no.

15 Q. Do you want to dismiss anybody or drop anybody from that
16 list?

17 A. No.

18 Q. When you offered...were offering leases to the folks that
19 you were able to reach agreements with, could you tell the Board what the
20 standard lease that you were offering were?

21 A. Yes. Our standard coalbed methane lease is a dollar per
22 acre per year with a five year paid up term with a one-eighth production royalty
23 payment.

24

25

1 Q. And would you recommend those terms to the Board to be
2 inserted in any order that might be entered with regard to people who are deemed
3 to have been leased?

4 A. Yes, we would.

5 Q. As we indicated, this is an Oakwood I unit. So, you're
6 anticipating drilling a frac well?

7 A. Yes.

8 Q. And your cost estimate would include the cost of fracing it?

9 A. It does.

10 Q. Is it your opinion that one frac well in the drilling window of
11 this unit is a reasonable way to produce coalbed methane from this unit?

12 A. Yes, it is.

13 Q. And is it your opinion that if you combine your leasing
14 efforts with a pooling order from the Board that you will have in effect protected
15 the correlative rights of all owners and claimants?

16 A. That's correct.

17 Q. Is there...are there any escrow requirements?

18 A. Yes, there is for Tract 4.

19 Q. And is that just a traditional conflict?

20 A. Yes.

21 Q. You don't have any unknowns that we have to deal with?

22 A. No.

23 MARK SWARTZ: That's all I have.

24

25

1 BENNY WAMPLER: Mr. Scott.

2

3 CROSS EXAMINATION

4 QUESTIONS BY MR. SCOTT:

5 Q. Mr. Arrington, has this...has this well been drilled?

6 A. No, it has not.

7 TIM SCOTT: That's the only question I have for Mr. Arrington.

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

9 MARK SWARTZ: No.

10 BENNY WAMPLER: No. Go ahead and call your witness.

11 TIM SCOTT: Mr. Chairman, Geo Met has a significant interest in
12 this unit. Based on review of CNX's AFE production estimates, we believe that
13 Geo Met would be the more appropriate operator for this unit. That's what Mr.
14 Taylor here...is here for today to offer evidence to that effect. So, we'll begin with
15 your direct testimony.

16

17 JEFF TAYLOR

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

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. SCOTT:

21 Q. Would you please state your name?

22 A. Jeff Taylor.

23 Q. And what is your occupation, please?

24

25

1 A. I'm project manager for Geo Met Operations in Virginia and
2 West Virginia, coalbed methane project.

3 Q. I know you've testified before the Board before, but I will
4 refresh memories here. What's your education, please?

5 A. A Bachelor of Science in Mining Engineering from Virginia
6 Tech.

7 Q. And by whom are you employed now, did you say?

8 A. Geo Met Operating Company.

9 Q. How long have you been with Geo Met?

10 A. A little over three years.

11 Q. And who were you employed by prior to that time?

12 A. Consol Energy.

13 Q. Okay. What were your job duties at Consol?

14 A. Production foreman and project engineer. In those roles,
15 I've been involved with mostly the whole gamete of...insofar as developing and
16 drilling coalbed methane from layout and design of gathering systems,
17 compression, production, a little bit of everything, as well as preparing AFEs and
18 budget reforecast.

19 Q. Are you familiar with the application that CNX has filed on
20 C-50?

21 A. Yes.

22 Q. And does Geo Met have an interest in this unit?

23 A. Yes.

24

--

1 Q. And what's the percentage of interest in this unit?
2 A. 30...I believe, it's 31.775 acres.
3 Q. Is that right?
4 A. 38.775%, I'm sorry.
5 Q. And what's the acreage figure?
6 A. 31.02.
7 Q. Do you agree that the percentages of ownership shown on
8 CNX's application are correct?
9 A. Yes.
10 Q. And have you reviewed the application with regard to
11 target formations?
12 A. Yes.
13 Q. And are those the same formations from which Geo Met
14 would produce if they were designated as the operator?
15 A. Yes.
16 Q. Just a couple of background questions. Does Geo Met
17 have a bond on file, a blanket bond?
18 A. Yes.
19 Q. And is it registered to...with the DMME?
20 A. Yes.
21 Q. And Geo Met, is it authorized to conduct business in
22 Virginia?
23 A. Yes.
24

1 Q. Okay. Have you prepared AFEs for units in the Oakwood
2 Field?

3 A. Yes.

4 Q. Are these wells for which AFEs have been prepared close
5 to unit C-50?

6 A. Close proximity, within about approximately a mile.

7 Q. Okay. The...as far as these units, what units have you
8 prepared the AFEs for in the Oakwood Field? Do you recall?

9 A. I can quote the well names better than I can the units.

10 Q. Okay. What are the well names?

11 A. It's the Rogers 164, Rogers 165, Rogers 167, Rogers 168
12 and Rogers 169.

13 Q. Okay. And those...are those in the Oakwood Field?

14 A. Yes.

15 Q. Have you reviewed the potential production figures
16 contained in CNX's application?

17 A. Yes.

18 Q. And what are those?

19 A. 125 million to 550 million.

20 Q. Do you believe that's an accurate statement of what is
21 capable to be produced from this unit?

22 A. No.

23 Q. If Geo Met were the operator for this unit, what would be
24

1 the estimated production from this unit?

2 A. Approximately, 920 million.

3 Q. Based on that figure and if we pick a figure for current gas
4 prices, what would be the difference between the total production from CNX's
5 estimates and Geo Met's estimates?

6 A. Roughly \$7 gas, which is...where it's bouncing around in
7 this day in time, you're looking at a Delta of approximately 2.59 million dollars in
8 today's dollars.

9 Q. So in that particular case, the...everybody in the unit
10 would, obviously, receive more revenue, is that correct?

11 A. Most definitely. Everybody involved,---

12 Q. Okay.

13 A. ---county, state and companies, mineral owners.

14 Q. Okay. Just as a general statement, why do you believe
15 Geo Met ought to be the operator here?

16 A. Based on our past history in the area. We have adjacent
17 production from this unit or production adjacent to unit as well. However, it's in
18 close proximity to the state line. Our production is in West Virginia, the closest
19 that we have. We range from 2500 to 3200 feet from this unit of which I have
20 some production history on that I could share with you. In analyzing this data, it's
21 far superior comparably speaking to the well CNX has adjacent to C-50. As Mr.
22 Swartz and Mr. Arrington was talking about, the wells that lay to the south of the
23 unit that...those production figures are on file at the Director's office, which I have

24

--

1 obtained. It's an astronomical difference. I think that it definitely would prevent
2 waste of a valuable nature resource that we have. I think we have a proven
3 enough track record to show you this.

4 Q. Now, Mr. Taylor, as a part of your testimony, you said you
5 had some graphs that you prepared that will be passed out to the Board and
6 provided to CNX, which indicate production histories for wells adjacent to
7 these...to C-50, is that correct?

8 A. That's correct.

9 Q. Okay. All right. I'm going to hand you this document or
10 this graph, Mr. Taylor. Can you tell me what it is, please?

11 A. Yes. It's the average monthly production of four CNX wells
12 adjacent to unit C-50.

13 Q. Okay. And what does that show exactly?

14 A. That will show their average volume per day on a monthly
15 basis as to how it's reported into the state. They report a monthly volume in and I
16 just divided it by the number of days and the month to come up with an average
17 mcf per day produced.

18 Q. Now, you indicated you did prepare these graphs?

19 A. Yes.

20 TIM SCOTT: And we're offering this as a part of Mr. Taylor's
21 testimony.

22 BENNY WAMPLER: Okay. Do you want to provide copies for us?

23 TIM SCOTT: Yes, sir.

24

--

1 BENNY WAMPLER: We'll make it an exhibit. What do you want to
2 label it?

3 TIM SCOTT: It will just be One.

4 BENNY WAMPLER: Exhibit One.

5 (Tim Scott passes out the exhibit.)

6 Q. Mr. Taylor, do you also have an exhibit prepared which
7 indicates production from adjacent Geo Met wells?

8 A. Yes, I do.

9 (Tim Scott and Jeff Taylor confer.)

10 Q. Now, would you identify this for me, please?

11 A. This is a production graph of the five Geo Met wells that
12 are on the bord...state line border in West Virginia. As I stated earlier, they're
13 roughly 2500 to 3200 feet from the boundary of the C-50 unit, which I feel is in
14 close enough proximity to give an accurate depiction of what we can do in this
15 area. It is the average volume...the monthly volume in an average mcf per day is
16 the same thing you're looking at with the CNX graph. I did scale them the same
17 so you can get an idea if they were all overlaid on the same graph what you would
18 be having.

19 Q. Which...what's the period of time that this particular graph
20 covers?

21 A. I have five wells on this particular graph. I have thirty-six
22 months worth of production data. On two of the well, three of the wells are
23 relatively new, which I have approximately a half of years production data.

24

--

1 Q. Okay.

2 A. But even with the newer ones, I think, you...as you look at
3 them, you will be able to notice a remarkable difference between these wells and
4 the CNX wells.

5 TIM SCOTT: Okay. We're going to offer this as Exhibit Two to Mr.
6 Taylor's testimony.

7 Q. Mr. Taylor, you indicated earlier there would be substantial
8 difference income produced from...if Geo Met operated and CNX did not operate,
9 is that correct?

10 A. That is correct.

11 Q. So based on the percentages, what would be the net
12 benefit to CNX having 61% of the unit?

13 A. They mostly definitely would have a greater return on their
14 asset based on what we're seeing.

15 Q. Okay.

16 A. We've...as the graph depicts as well, you're looking at
17 roughly a 40 to 86% percent delta from our gas...recoverable gas in place
18 estimates versus Consol's. That's approximately, ironically enough, the delta in
19 the production figures if you average them out. Actually, the production figures,
20 the Geo Met wells are running a little big higher. I think they take it on up to about
21 46% to a range of 46 to 87%, actually I think is what they run.

22 Q. Have you prepared an AFE which indicates the estimate of
23 drilling costs for this particular well?

24

25

1 A. Yes, I have.

2 Q. Okay. Did you participate in preparing this AFE?

3 A. Yes.

4 Q. Okay. What is the estimated cost of drilling for this well on
5 the Geo Met AFE?

6 A. Drilling costs alone is \$151...2,230.

7 Q. And what about the dry hole costs?

8 A. The dry hole costs would be 149876.

9 Q. The costs of completion and then the total costs?

10 A. The cost of completion being 168573.

11 Q. And the total costs?

12 A. 319803.

13 Q. Okay. Do you...again, I'm going to ask you this question,
14 would it be of an economic benefit to the royalty owners if Geo Met operates?

15 A. Yes. Everyone involved would...would benefit from our
16 being deemed operator of this unit.

17 Q. At your...so your request that Geo Met be named operator,
18 do you believe that designating Geo Met as the operator would promote
19 conservation, prevent waste and protect correlative rights?

20 A. Yes.

21 Q. Okay.

22 BENNY WAMPLER: Mr. Swartz.

23
24

1 CROSS EXAMINATION

2 QUESTIONS BY MR. SWARTZ:

3 Q. When was Pine Creek 14 drilled?

4 A. Approximately, thirty-five month...well, as far as drilling, it
5 would be a little bit before there as far as days...days on line. You have it looks
6 about thirty-four or thirty-five months worth of production.

7 Q. Okay. So, basically, it's almost three years old?

8 A. That's correct.

9 Q. Okay. How about Pine Creek 130?

10 A. 130, it looks like it's about...you have about three months
11 worth of data on this well.

12 Q. Does that mean it has been in production for three
13 months?

14 A. Yes.

15 Q. Okay. How about the Rogers 131?

16 A. The 131 is...is actually...I apologize for...a lot of wells came
17 on at the same time and are heading up the same trend, so they overlay. But it
18 looks like we have about a month on that well...no, actually, there's two months.

19 Q. And the Rogers 208?

20 A. The Rogers 208, we have four months of data on that, as
21 far as on line.

22 Q. Okay. When was the CNX E-49 drilled?

23 TIM SCOTT: Did I give away all of them?

24

25

1 A. I think we gave away all of them. I cannot answer that. All
2 I can answer is the production information that is listed with the Director's office.
3 Q. When...when did CNX E-49 go into production?
4 A. Can I borrow your graph?
5 (No audible response.)
6 A. It looks about fourteen months ago. E-49, yes.
7 Q. Okay. When did D-48 go into production?
8 A. Approximately, thirty-eight months ago.
9 Q. And D-49?
10 A. D-49 thirty-seven months.
11 Q. And E-47?
12 A. Close to forty, it appears.
13 Q. What...what's the target formation for the Pine Creek 14?
14 A. The target formation is the Lower Pocahontas Coal. It's
15 the same as CNX goes after. As far as the formation, that is the lower most in that
16 seam, I cannot answer that if the Pocahontas 3 plays out or the 1 or so forth, then
17 it possibly wouldn't stimulate it.
18 Q. Okay. How many feet of coal were stimulated...strike that.
19 Is Pine...Pine Creek 14 fraced?
20 A. Yes, sir.
21 Q. How many feet of coal were fraced?
22 A. I cannot answer that at this time.
23 Q. How many feet of coal were fraced in the Pine Creek 130?

24

25

1 A. I do not have that data with me at this time. But you could
2 probably get that at the West Virginia Oil and Gas office.

3 Q. How many feet of coal were fraced in the Rogers 131?

4 A. I cannot answer that at this time.

5 Q. How about the same question for Pine Creek 15 and
6 Rogers 208?

7 A. I cannot answer that at this time.

8 Q. Okay. Can you compare the feet of coal that you fraced in
9 your Geo Met wells compared to the CNX wells?

10 A. No, sir.

11 Q. Do you know if you fraced three times the feet of coal that
12 CNX fraced?

13 A. Based on what I've seen of CNX's completion records that
14 is on file at the Director's office, it looks like they are very similar in nature. We
15 will both average probably 13 to 18 feet of coal per well that is stimulated.

16 Q. But as we sit here today, you can't tell me if the average
17 that you're talking about applies to the wells that are on these two charts?

18 A. I can get that information for you.

19 Q. As we sit here today, it's possible that the feet of coal
20 stimulated on the Geo Met wells that you're comparing to the CNX wells on these
21 two charts were substantially more?

22 A. If that is the case, I think we've taken a more proactive
23 approach at protecting the correlative rights of the mineral owner and have
24

1 stimulated more coal, if that's what you're saying.

2 Q. Actually, all I'm saying is, do you know if you stimulated
3 more coal in the wells, the Geo Met wells, that you're comparing to the CNX
4 wells? I think your answer is, you don't know.

5 A. That is correct. I've already said that.

6 Q. Okay. It looks to me like you're picking up your Geo Met
7 wells from...on the curve going up, trending up, and I don't see that in the CNX
8 wells. Are you sure that the production that you're graphing on the CNX wells
9 was from the beginning of production?

10 A. Unless CNX did not report their production information to
11 the state, which is required by law, I'm pretty positive that we have all of the
12 information.

13 Q. Okay. Does your chart then start with the first production
14 report to the state?

15 A. Yes.

16 Q. Okay, okay. The wells that are on...strike that. What's
17 the...what's the target formation of Pine Creek 130?

18 A. All of the wells that is depicted on the Geo Met wells
19 adjacent to unit C-50, the target formation would be the lower most Pocahontas
20 Coals, possibly the Pocahontas 1.

21 Q. Okay. So, none of these Geo Met wells get to the P-3?

22 A. The Pocahontas 1 is below the P-3.

23 Q. Oh, okay.

24

25

1 A. So yes.

2 Q. So, you're going through the 3 down to the 1. Are the CNX
3 wells in the Pocahontas 1?

4 A. I cannot answer that at this time.

5 Q. Are they in the Pocahontas 3?

6 A. I think all of the CNX wells that you see there are
7 stimulated in the Pocahontas 3 most definitely.

8 Q. Okay.

9 A. And it's a possibility they...they have some of the lower
10 seams.

11 Q. Okay. Well, did you stimulate the Pocahontas 1 and the
12 Geo Met wells?

13 A. As I...as I stated earlier, if it was prevalent when the log
14 was run, we would have stimulated it. If not, we wouldn't have.

15 Q. Okay. How about the Pocahontas 2, is that present in
16 these wells?

17 A. The Pocahontas coals down in this area, that far north in
18 the state, they come and go. So, if they are present, we will stimulate them. If
19 they are not present on the log, we will not.

20 Q. Okay. Are there seams in the Geo...that you fraced in Geo
21 Met wells that were not present in the CNX wells?

22 A. I cannot answer that. But most all of those seams are
23 contiguous. The state line does not change the formation of the coal.

24

25

1 Q. My question is, are there seams present that you fraced in
2 the Geo Met wells that are on this chart that are not present in the wells and
3 weren't fraced in the CNX wells on that chart?

4 A. As I just said, I cannot answer that.

5 Q. Would you agree with me that the if your...strike that.
6 What's the standard cubic feet of gas per ton of coal in the...in the Geo Met wells?
7 What number are you using?

8 A. Your...it depends on the formation.

9 Q. Well, what number are you using?

10 A. I can throw you out a 550.

11 Q. Okay. So, you're saying that on average 550 standard
12 cubic feet of gas per ton would be a reasonable number to use in the location
13 where the Geo Met wells are located?

14 A. Possibly. And, again, it depends on the formation. As you
15 come up the hole, the content per ton decreases.

16 Q. Would you agree with me in the location where the CNX
17 wells are, that 550 would not be an average that would be appropriate to use?

18 A. No, it wouldn't.

19 Q. So, you would use the same average in the Oakwood Field
20 that you're using in West Virginia 3,000 feet away?

21 A. As I stated earlier, it was 2500, I think, was our closest well
22 to the boundary and these wells that Consol has are adjacent to unit C-50. I
23 cannot see gas content fluctuate that much, no.

24

25

1 Q. Does gas content fluctuate traumatically in the Oakwood
2 Field?

3 A. Well, we're talking here from unit to unit. You're not going
4 to find that much fluctuation. If you find areas in the Oakwood Field that are
5 associated with mining, yes, the gas content could possibly fluctuate. But what
6 data that I have seen, gas contents are fairly consistent.

7 Q. Well, are some gas contents in the Oakwood Field, per
8 standard cubic foot of coal, well below 400?

9 A. Yes.

10 Q. Are some over 600?

11 A. Yes.

12 Q. So they vary?

13 A. I think the 400 and 600 number that you just threw out is
14 probably the range of a typical CBM well in the Oakwood Field as far as
15 production seams.

16 Q. Do you have permits...strike that. Tell me the Oakwood
17 units or identify for me the Oakwood units that you have...Geo Met has producing
18 wells in currently?

19 A. I do not have a grid map with me, and forgive me, but all I
20 can give you is the well names.

21 Q. Okay. How many...well, let me start in a different direction.
22 How many producing wells does Geo Met have in Southwest Virginia?

23 A. We have five. Actually, we brought our sixth one on line
24

1 the other day.

2 Q. Okay. So, you have a total of six wells?

3 A. Yes.

4 Q. Are they all coalbed methane wells?

5 A. Yes, sir.

6 Q. Okay. Are they all in the Oakwood Field?

7 A. Yes, sir.

8 Q. Okay. And you don't know the unit numbers?

9 A. We...our field is designated by well numbers. I can take a

10 stab in the dark at the unit

11 numbers---

12 Q. Okay.

13 A. ---if you'd like. But---

14 Q. Well, generally, are they all---?

15 A. ---they seem to be accurate.

16 Q. Are they close together?

17 A. Yes.

18 Q. Are they in adjacent units?

19 A. Yes. They are...they are very close together and they...the

20 closest one is approximately one mile west of unit C-50.

21 Q. Which would get us, what, at C-45?

22 A. I think we're in...in that area, yes, B and...B and C.

23 Q. Okay. And all six wells are over in that area?

24

1 A. Yes.

2 Q. Okay. And how long have those wells been in production?

3 A. The longest history of data I have on those is

4 approximately 390 days roughly.

5 Q. Okay. So, that's a year---?

6 A. Yes.

7 Q. ---or a little over a year? And do you have several wells

8 that are in the order of a year over there?

9 A. Yes. All of those are of similar...of the similar age---.

10 Q. Okay.

11 A. ---with the exception of the sixth one that is relatively new.

12 Q. Did you bring a chart with you with regard to those six CBM

13 wells in the Oakwood Field that are actually in Virginia about a mile to the west?

14 A. Yes, I did.

15 MARK SWARTZ: Okay. Let's call that CNX One.

16 BENNY WAMPLER: It's Exhibit Three.

17 TIM SCOTT: CNX One.

18 BENNY WAMPLER: Oh, okay, Exhibit---.

19 JEFF TAYLOR: Yeah, it would be Exhibit...it's the fourth handout

20 from us.

21 MARK SWARTZ: It's this thing.

22 Q. What's the green line that goes off to the top?

23 A. I would...I would like to explain the graph that everyone is

24

1 looking at first.

2 Q. I would like to ask you some question.

3 A. Okay.

4 Q. What's the green line?

5 A. The green line is our Rogers 167 well.

6 Q. Okay. And how long has that been producing?

7 A. Approximately, 390 days.

8 Q. Okay. And how...what Oakwood grid unit is that in?

9 A. I cannot answer that.

10 Q. Is that the closest well to the west?

11 A. Not the closest. It's kind of in the middle.

12 Q. Would you agree with me that when you compare your

13 CNX...the last graph that we've got, the CNX One, to the Geo Met wells in West

14 Virginia, the Geo Met wells in West Virginia look like they're doing better than

15 your Geo Met wells in Virginia?

16 A. I would...no, that would not be the case because the scale

17 of the graph, which was what I wanted to explain earlier.

18 Q. So, your testimony is that the Geo Met wells in West

19 Virginia, regardless of this scale or the graph, are not depicted as better wells

20 than the Geo Met wells in Virginia?

21 A. I think you have the wells...with the exception of the

22 Rogers 167, which is a very high producer, I think you have some similarities in

23 the wells in Virginia and West Virginia.

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1 Q. My question isn't are they similar or are they somewhat
2 alike. My question is, would you agree with me that when we compare your Geo
3 Met wells chart for the Virginia wells to the West Virginia wells it looks like the
4 West Virginia wells produce more gas on an average?

5 A. If you average those two charts, I think you will see the
6 Virginia wells have a higher average.

7 Q. Really!

8 A. Yes. I think they average out at about 100...a little over a
9 180 mcf a day.

10 Q. Okay. Help me out here. I mean, on the Geo Met wells
11 adjacent to C-50, it looks like you've got your three best wells or, I guess, actually
12 one, two, three...your best...your four wells that have just come onto production
13 and your best well are between 200 and 250, correct?

14 A. That is correct.

15 Q. Okay. And the Geo Met wells in Virginia, you've got one,
16 two, three, four, five wells and only one of the five is above 250, right?

17 A. That is correct.

18 Q. Only one is between 200 and 250?

19 A. That is correct.

20 Q. And three are basically at 150 or below?

21 A. That is correct.

22 Q. Okay. Now, having reflected on that, would you agree with
23 me that the production that you're showing on the wells adjacent to C-50 is better
24

1 than the projection, in general, of the wells you've shown in West Virginia?

2 A. You asked me the average and I was telling you the
3 average of the graphs there.

4 Q. When we compare the wells, would you agree it looks like
5 the wells in West Virginia are doing better, in general, than the wells in Virginia?

6 A. I'm proud of either state there.

7 Q. So, you don't have an answer to that question?

8 A. I...I would decline that until I could analyze them in great
9 detail because they're both equally good wells...equally good sets of wells.

10 Q. Why is it that you didn't share this exhibit with the Board
11 when you were on direct?

12 A. That information has not been made public yet. It will be
13 made public...we have to have our production information into the state at the end
14 of March. So, that was somewhat confidential information for another few days---

15 Q. Okay.

16 A. ---and I was hoping that we wouldn't have to bring those
17 out.

18 Q. But it wasn't because the...you know, the numbers in
19 Virginia...in West Virginia looks little more exciting when you graph than the ones
20 in Virginia? That's not why you didn't use them, right?

21 A. If you have a well that approaches 500,000 a day that's
22 pretty exciting.

23 Q. So, you've got a miracle well over there?
24
25

1 A. Whatever you would like to classify it.

2 Q. Would you agree with me that the amount of gas in the
3 ground has nothing to do with who's the operator?

4 A. I would agree.

5 Q. Okay. So, we're going to have...whatever the reserves are
6 under this unit, they're there---?

7 A. Yes.

8 Q. ---whether you're producing this unit or CNX is producing
9 the unit?

10 A. That is correct.

11 Q. Are all of the wells on your charts wells that you have
12 stimulated?

13 A. Yes.

14 Q. Do you understand that you need a permit to drill the well?

15 A. Yes.

16 Q. Do you have a permit in C-50?

17 A. No.

18 Q. Who does?

19 A. CNX.

20 Q. Okay. Do you have any consent...signed consent to
21 stimulate in C-50?

22 A. No.

23 Q. Who are the coal owners in C-50?

24

1 A. Lon Rogers and PMC.
2 Q. Okay. And who are the coal lessors?
3 A. Consol Energy or---.
4 Q. And Reserve Coal Prop...and Reserve Coal Properties is
5 oil, right?
6 A. I think, yes.
7 Q. Okay. And the coal operator is it Consol Energy?
8 A. Yes, I think.
9 Q. Have you tried to get consent to stimulate?
10 A. Not on this unit.
11 Q. Okay. How do you like your chances?
12 TIM SCOTT: It hasn't been done. We object to that. We haven't
13 requested---.
14 A. Yeah.
15 TIM SCOTT: ---consent at this point.
16 BENNY WAMPLER: Sustained.
17 Q. Are you prepared to drill these wells without...without
18 stimulating them?
19 A. No, sir.
20 Q. So, if you don't get a consent to stimulate, you're not
21 interested?
22 A. Possibly.
23 Q. Is the frac in the Virginia wells the same frac as the West
24

1 Virginia wells?

2 A. There is no two frac jobs that are exactly the same based
3 on coal thickness or based on pressure seen down hole. So, I cannot answer that
4 and say...the general thought process in the preparing the frac jobs behind the
5 wells in Virginia versus the wells in West Virginia are identically the same. But as
6 far as the actually chemicals and the amount and sand and various things like
7 that, I cannot say that they are 100% dead on the same because that is an
8 inaccurate statement. But the methodology and thought process and their
9 standards are...are the same in both states.

10 Q. What did the frac job cost you on the Rogers 167?

11 A. I cannot answer that.

12 Q. Can you even compare what they may have cost to the
13 other wells on Exhibit CNX One?

14 A. All those wells were fraced exactly the same or with the
15 same...with the same thought process.

16 Q. And the cost was exactly the same?

17 A. With the same thought process. Cost will vary based on
18 the number of days it takes to complete versus coal thickness as well. So, that...I
19 don't know that we're here to debate the cost of a...of those wells that we have
20 already in production.

21 Q. What accounts for variability in production well to well?

22 A. Permeability.

23 Q. Is that the only difference?

24

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1 A. I feel that it's the predominant difference. There can be
2 damage to wells also.

3 Q. Okay. What control does an operator have over
4 permeability?

5 A. None.

6 Q. Other than locating your well somewhere else---?

7 A. That's correct.

8 Q. ---whether the permeability is better?

9 A. That is correct.

10 Q. How does the permeability in these West Virginia wells
11 compare to the permeability in the Virginia wells that you've got?

12 A. We are seeing very similar results. As far as core data, we
13 do not have core data in Virginia. We have close core data in West Virginia.

14 Q. So then, I guess, if you don't have the data, you can't make
15 that comparison?

16 A. That is correct, other than the production is equally nice on
17 both sides of the state line.

18 Q. Okay. So, you're telling me as you compare your
19 Virginia...Geo Met's Virginia wells and West Virginia wells you don't know if
20 permeability is playing a significant factor in the differences you're seeing to drill
21 the wells?

22 A. Permeability is the largest or one of the largest nature
23 factors in the produce ability of a well.

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1 Q. Okay. So, what you're telling us, if we look at Geo Met
2 wells adjacent to C-50 and we look at the orange well and compare it to the blue
3 one at the top, would it be your opinion the difference there is the perme-
4 ability...it's driven by permeability?

5 A. Not in that well, no.

6 Q. Okay. Why does the orange well look bad by comparison?

7 A. The...the orange well actually has had some problems and
8 as you can see along the fifteenth month we took the well down and did work on it
9 and it appears actually to be on somewhat of a slight incline right now. We have
10 high hopes for this well. We think that it will recover and get to a number that is
11 close to the other ones in the area.

12 Q. Okay. What's the problem with that well?

13 A. That's irrelevant to this discussion.

14 Q. What's the problem with that well?

15 A. That's private information for privatory.

16 Q. So, you're saying we should assume that the difference
17 between the orange well and the blue well is not permeability, it's something else
18 but you won't tell me what it is?

19 A. That is correct.

20 MARK SWARTZ: I move to strike his testimony with regard to this
21 chart. If he's not going to be cross examined about it, I don't think we have to
22 have it in evidence. So, I'm talking about Geo Met well adjacent to C-50.

23 BENNY WAMPLER: It will be stricken.

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1 Q. Looking at your Geo Met wells in West Virginia, is the
2 difference between the purple line and the green line a permeability difference?

3 A. I cannot answer that.

4 Q. Because you don't know or you don't want to?

5 A. Because I do not know. That is correct.

6 Q. Okay.

7 BENNY WAMPLER: Let me ask you a question.

8 JEFF TAYLOR: Yes, sir.

9 BENNY WAMPLER: Why...what makes you think that...what's the
10 difference in how you produce a well versus how Consol produces a well?
11 Obviously, you know how CNX produces, you've worked for them. What's the
12 biggest difference that gets you a production much higher than what Consol does
13 or CNX?

14 JEFF TAYLOR: I was hoping this question wouldn't come up---

15 BENNY WAMPLER: It's an obvious question. It has to come up.

16 JEFF TAYLOR: ---because I'm going to have to make them privy to
17 our operational and completion techniques. But---

18 BENNY WAMPLER: Well, that's your choice.

19 JEFF TAYLOR: The...and it's a matter of public record if they will
20 dig through it and look. But it is...the primary factor is they average a three-stage
21 completion or a frac job. We tend to isolate our zones more and
22 focus...concentrate more on one or two particular coal seams. Their average frac
23 job is...as far as sand volume that is pumped into the coal seam is probably half

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1 of what ours is. They drill a four...a casing hole with four and a half casing. They
2 case every hole with five and a half casing, larger up front costs operationally that
3 is far superior and there's way less trouble in operational expenses down the
4 road. We employ company people to take care of our wells. Not saying...it's just
5 a difference. I don't...I can't tell you that the people they have out there watching
6 their wells are faulty or anything. But they are contract personnel versus our
7 company personnel. So, whether that last one makes any difference or not.

8 BENNY WAMPLER: Why should the Board consider Geo Met as an
9 operator when you don't have an application for the well and when you don't
10 have...I haven't heard you say you have any hope of getting permission to frac.
11 So, why are we here?

12 TIM SCOTT: It's our intention to ask that the permit be transferred
13 to Geo Met, along with the consent to stimulate.

14 BENNY WAMPLER: And what hope do you think that happen...that
15 that would be successful?

16 TIM SCOTT: It's a shot, Mr. Chairman.

17 MARK SWARTZ: Are you asking the Board to tell us to transfer it or
18 are you asking us?

19 TIM SCOTT: Asking the Board to direct you to transfer it.

20 BENNY WAMPLER: I would say based on what?

21 TIM SCOTT: The permit that's in place and that Geo Met is the
22 better operator. So, therefore, we should be entitled to drill on their permit at that
23 location.

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1 BENNY WAMPLER: I'll leave this to the Board's questioning. I
2 didn't mean to take over for you. But I really felt like some of this needs to be
3 answered because we don't want to sit here and cycle through all day long. I
4 don't think we have any information before us to show what you just said that Geo
5 Met is a better operator. We have before us testimony that Geo Met thinks that
6 they can produce Virginia wells at a higher production level than CNX, in
7 testimony, but in chart, we don't see that. I don't see that. I'll speak for me. I
8 don't see that. But I'll leave other questions for members of the Board, I mean,
9 before we go much further with this.

10 JIM McINTYRE: I have a question, Mr. Chairman. I thought the
11 statement was made by Geo Met that it didn't make any difference who the
12 operator was, the same volume of gas would be produced from the wells. Is that
13 mistaken?

14 JEFF TAYLOR: I think that is misunderstood. The...I think Mr.
15 Swartz asked me, regardless of the operator, the amount of gas that is in that unit
16 in the ground is the same, that answer to that question is yes. Then comes the
17 unlocking of the key to get the gas out. There's where the difference in the
18 operator ship is from one to the other. But the amount of gas in the ground in
19 place now, is the same, obviously, no matter who the operator is.

20 BENNY WAMPLER: Mr. Scott, I'll ask you a legal question.

21 TIM SCOTT: Yes, sir.

22 BENNY WAMPLER: Do you believe that it's within the Board's
23 authority to require Consol to give you their permit...transfer their permit?

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1 TIM SCOTT: I don't see anything that would deny it.

2 SHARON PIGEON: Do you see anything that would support it?

3 TIM SCOTT: I don't see anything that would deny it.

4 SHARON PIGEON: I see. You did not answer my question.

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

7 MARY QUILLEN: I have just---

8 BENNY WAMPLER: Ms. Quillen.

9 MARY QUILLEN: ---one question, Mr. Chairman. I believe you
10 stated earlier in your testimony that you previously had worked either for Consol
11 or CNX.

12 JEFF TAYLOR: Yes.

13 MARY QUILLEN: How long did you...were you employed by them?

14 JEFF TAYLOR: My career started with them in 1992. So,
15 approximately ten years.

16 MARY QUILLEN: Uh-huh. And was this directly out of college that
17 you began your career with them?

18 JEFF TAYLOR: Yes, pretty much so.

19 MARY QUILLEN: Uh-huh. And when did you leave?

20 JEFF TAYLOR: It would be February of...well, actually, January the
21 31st, I think, of 2003.

22 MARY QUILLEN: And was this with Consol or the CNX division?

23 JEFF TAYLOR: Well, it was---.
24
25

1 MARY QUILLEN: It was---

2 JEFF TAYLOR: Their name has changed so many times. But it
3 was...you know, I was---

4 MARY QUILLEN: Right. You were directly employed by Consol at
5 that time?

6 JEFF TAYLOR: The gas side, yes.

7 MARY QUILLEN: Yeah, okay.

8 JEFF TAYLOR: Consol Energy is who I think---

9 MARY QUILLEN: Right.

10 JEFF TAYLOR: ---that I was employed by at that time.

11 MARY QUILLEN: Right. Thank you.

12 BENNY WAMPLER: Other questions from members of the Board?

13 (No audible response.)

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

15 TIM SCOTT: No, sir.

16 BENNY WAMPLER: Mr. Swartz?

17 TIM SCOTT: No.

18 BENNY WAMPLER: Is there a motion from members of the Board?

19 DONALD RATLIFF: I move to approve the application as presented,
20 Mr. Chairman.

21 JIM McINTYRE: Second.

22 BENNY WAMPLER: Motion to approve Consol...CNX's application
23 as presented and seconded. Any further discussion?

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1 (No audible response.)

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

3 (All members signify by saying yes.)

4 BENNY WAMPLER: Opposed, say no.

5 (No audible response.)

6 BENNY WAMPLER: You have unanimous approval. Thank...thank
7 you, gentlemen.

8 TIM SCOTT: Thank you.

9 BENNY WAMPLER: The next item on the agenda is a petition from
10 Madeline Counts for disbursement of funds from escrow and authorization for
11 direct payment of royalties on Tract 4, unit VC-2975. We'd ask the parties that
12 wish to address the Board in this docket number VGOB-97-0715-0593-01 come
13 forward at this time.

14 BOB WILSON: Mr. Chairman, Bob Wilson.

15 BENNY WAMPLER: Mr. Wilson.

16 BOB WILSON: I'll be speaking on behalf of Ms. Counts who is a
17 recipient...potential recipient of this disbursement. As you may remember from
18 last time, Ms. Counts is elderly and unable to travel and has asked that I make
19 presentation for her. On advice of our Counsel, I did get a notarized letter stating
20 that she wishes me to speak on her behalf in this matter, that is in the file. If you
21 remember from the last time also, we had a rather significant lack of balance in
22 this account. There was like a \$460 discrepancy in the account. It has been
23 worked on since then. There was one check that was discovered that had not

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1 been deposited in the bank and the accounting was re-reconciled. We're now
2 down to a difference of \$29.02, which appears to be somewhere... and I'll let Mr.
3 Hall address this if he wants to, it appears to be somewhere in the old records.
4 There was an old accounting system that Equitable had. There was a prior bank
5 that we had. Somewhere in that time period, we've lost that \$20.09. I talked to
6 Ms. Counts, she says she is willing to accept the balance that is in the escrow
7 account attributed to her sub-account and forgo any concern for the \$29.03 or
8 whatever it is here...\$29.02.

9 We have another accounting, which I'll pass out here, showing the
10 comparison of the checks that were put in by Equitable and the figures of the
11 bank. The back sheet contains a final accounting showing the percentages due
12 to Ms. Counts and also the difference that I've already referred to there.

13 BENNY WAMPLER: Mr. Hall, do you want to identify yourself for
14 the record?

15 DON HALL: Don Hall with Equitable Production Company. Bob's
16 right about the accounting. One bank...you all switched banks in the last few
17 years and we switched our accounting system. The \$29.02 difference is what we
18 figure the balance is. We have the higher figure and the bank has the lower
19 figure. But we'll go with the bank's figures as far as Ms. Count has accepted that.

20 BENNY WAMPLER: So for today, Mr. Wilson, we're... we're asked
21 to disburse \$21,297.79?

22 BOB WILSON: Actually, I would like to frame the request that we
23 disburse from the sub-account, under this docket number, 64.204221% of the

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1 funds that are attributable to sub-account on the day of---

2 BENNY WAMPLER: And then from this...from that date forward
3 then they would be paid directly to her?

4 BOB WILSON: That's correct. Yes, sir. And, again, Ms. Counts
5 has stated she will happily accept the totals that are shown in the bank figure.

6 BENNY WAMPLER: Okay, we have that presented. Does anyone
7 make that motion?

8 DONALD RATLIFF: I'll make that motion, Mr. Chairman.

9 JIM McINTYRE: Second.

10 BENNY WAMPLER: Motion is second. Any further discussion?

11 (No audible response.)

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

13 (All members signify by saying yes.)

14 BENNY WAMPLER: Opposed, say no.

15 (No audible response.)

16 BENNY WAMPLER: You have approval. The next item on the
17 agenda is a petition from CNX Gas, LLC for pooling of coalbed methane unit B-
18 51. This is docket number VGOB-06-0121-1576, continued from February. We'd
19 ask the parties that wish to address the Board in this matter to come forward at
20 this time.

21 MARK SWARTZ: Mark Swartz and Les Arrington.

22 BENNY WAMPLER: The record will show no others. You may
23 proceed.

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

2 (Mr. Arrington passes out exhibits.)

3 MARK SWARTZ: We've got an amended notice of hearing on this
4 one, which shows March 21, '06, right?

5 LESLIE K. ARRINGTON: That's right.

6 MARK SWARTZ: And that's one we should be...we should be
7 attending to.

8 LESLIE K. ARRINGTON: Yes.

9

10 LESLIE K. ARRINGTON

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. SWARTZ:

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

14 A. Leslie K. Arrington.

15 Q. And who do you work for?

16 A. CNX Gas Company, LLC.

17 MARK SWARTZ: Mr. Chairman, I'd like to incorporate Mr.
18 Arrington's prior testimony with regard to the circumstances and details
19 concerning the applicant, the operator, standard lease terms and his employment.

20 BENNY WAMPLER: That will be incorporated.

21 MARK SWARTZ: Thank you.

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

23 A. It's an Oakwood unit with 79.94 acres within it.

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1 Q. And how many wells are proposed?
2 A. One.
3 Q. And is it located in the window?
4 A. Yes.
5 Q. Have you submitted a cost estimate?
6 A. Yes, we have. It was, I'm sorry, \$250,899.50 to a depth of
7 2400 feet. The permit number is 7175.
8 Q. And what did you do to notify people that there would be a
9 hearing today?
10 A. We mailed by certified mail return receipt requested on
11 January the 31st of '06 and we published in the Bluefield Daily Telegraph on
12 March the 9th of 2006 with the amended notice.
13 Q. Okay. And when you published that amended notice,
14 what...what did you publish in the paper?
15 A. The notice of hearing and the location map.
16 Q. And that would have been the notice of hearing for today?
17 A. Yes.
18 Q. Okay. And did you file proofs of publication with Mr.
19 Wilson?
20 A. Yes, we have.
21 Q. And certificates of mailing as well?
22 A. Yes, we have.
23 Q. Do you want to add any folks as respondents today?
24

1 A. No.

2 Q. Do you want to dismiss any people that were noticed in the
3 amended notice as respondents?

4 A. No, we do not.

5 Q. Okay. Would you tell the Board what...what you've been
6 able to...what interest you've been able to obtain in this unit and what it is you're
7 seeking to pool?

8 A. We've obtained 99.5121% of the coal, oil and gas owner's
9 claim to coalbed methane. We're seeking to pool 0.4879% of the coal, oil and
10 gas owner's claim to coalbed methane.

11 Q. And there's some conflicts that require escrow?

12 A. Tract 4, yes.

13 Q. Okay. And we don't have any address issues?

14 A. No, sir.

15 Q. So, the only...it's conflicts on Tract 4?

16 A. That's correct.

17 Q. We don't have any splits agreements to deal with?

18 A. No.

19 Q. Is it your opinion that the drilling of one frac well in the
20 drilling window here is a reasonable way to produce the coalbed methane from
21 under B-51?

22 A. Yes, it is.

23 Q. And is it your opinion that if you combine the leasing efforts
24

1 that CNX has undertaken, you know, leasing 99% of the unit and combine that
2 with a pooling order, that you have in essence protected the correlative rights of
3 all owners and claimants?

4 A. Yes, we would have.

5 MARK SWARTZ: Okay. That's all I have.

6 BENNY WAMPLER: Questions from members of the Board?

7 (No audible response.)

8 BENNY WAMPLER: You did say it's within...inside the drilling unit?

9 LESLIE K. ARRINGTON: The window, yes, it is.

10 BENNY WAMPLER: The window.

11 BENNY WAMPLER: I was just clarifying that because on the chart
12 it's showing---

13 LESLIE K. ARRINGTON: Yeah.

14 MARK SWARTZ: No, he...he...he wasn't mistaken. Yeah.

15 LESLIE K. ARRINGTON: Yeah.

16 BENNY WAMPLER: I was just making sure. Other questions from
17 members of the Board?

18 (No audible response.)

19 BENNY WAMPLER: Do you have anything further?

20 MARK SWARTZ: No, I don't, sir.

21 BENNY WAMPLER: Is there a motion?

22 JIM McINTYRE: Motion to approve.

23 PEGGY BARBAR: I'll second.

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1 BENNY WAMPLER: Motion to approve and second. Any further
2 discussion?

3 (No audible response.)

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

5 (All members signify by saying yes.)

6 BENNY WAMPLER: Opposed, say no.

7 (No audible response.)

8 BENNY WAMPLER: You have approval. Next, is a petition from
9 CNX Gas Company, LLC for pooling of coalbed methane unit BB-124. This is
10 docket number VGOB-06-0221-1579. We'd ask the parties that wish to address
11 the Board in 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. You may
14 proceed.

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LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name again for us, Les.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

MARK SWARTZ: Mr. Chairman, I'd like to incorporate Mr. Arrington's prior testimony concerning the applicant and operator, standard lease terms and his employment.

BENNY WAMPLER: That will be incorporated.

Q. This is also an amended notice, correct?

A. It was.

Q. Yeah. And this was because this was continued from, I'm thinking, February?

A. Yes.

Q. It was a continued matter?

A. Yes, it was.

BENNY WAMPLER: It was continued, yeah.

Q. What...what kind of unit is this, Les?

A. It's a Middle Ridge unit with 58.74 acres in it.

Q. And how many wells are you proposing to drill?

A. One.

1 Q. And is that well going to be located inside the window?
2 A. Yes, it is.
3 Q. Is it going to be a frac well?
4 A. Yes, it is.
5 Q. Do you have a permit for the well?
6 A. Yes. 7073 to a depth of 2749 at a cost of \$223,444.57.
7 Q. You've got quite a list of folks in the two portions of the
8 amended notice of hearing and Exhibit B-3. Do you want to add anybody to the
9 list today?
10 A. No, we do not.
11 Q. Do you want to dismiss anyone?
12 A. No.
13 Q. Okay. What did you do to let these people know that we
14 were going to have a hearing today?
15 A. It was originally mailed on January the 20th, 2006 and it
16 was published in the Bluefield Daily Telegraph on March the 10th, 2006 for the
17 amended notice.
18 Q. Okay. And when you published the amended notice,
19 what...what was published?
20 A. The notice of hearing and attached location map.
21 Q. Have you filed proofs of publication and certificates
22 of...with regard to mailing with Mr. Wilson?
23 A. Yes, we have.

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1 Q. And that includes the amended?

2 A. Yes, it does.

3 Q. What...what is it that you've been able to acquire and what
4 is that you're seeking to pool?

5 A. We've acquired 98.089% of the coal owner's claim to
6 coalbed methane and 71.6095% of the oil and gas owner's claim to coalbed
7 methane. We're seeking to pool 1.911% of the coal owner's claim to coalbed
8 methane and 28.3905% of the oil and gas owner's claim to coalbed methane.

9 Q. There are some escrow issues here, right?

10 A. Yes, for Tract 1A, 1B, 1C, 1D, 1E and 3 and for 1A for
11 unknown.

12 Q. Okay. And do we have some split agreements?

13 A. For 1A, 1B and 3.

14 Q. Are you asking with regard to the folks identified in Exhibit
15 EE as having entered into split agreements that the operator be allowed to pay
16 those people directly consistent with their agreements as opposed to escrowing
17 those funds?

18 A. Yes...yes, we are.

19 Q. Is it your opinion that drilling one frac well in this Middle
20 Ridge unit is a reasonable way to produce the coalbed methane from the unit?

21 A. Yes, it is.

22 Q. And if you...and is your further opinion that if you combine
23 a pooling order pooling the respondents with the leasing efforts that the applicant
24

1 has undertaken, that in some substance you will have protected the correlative
2 rights of everyone?

3 A. Yes, we would have.

4 MARK SWARTZ: That's all I have.

5 BENNY WAMPLER: Questions from members of the Board?

6 (No audible response.)

7 BENNY WAMPLER: I'm checking your unknowns. Do you have
8 anything further?

9 MARK SWARTZ: That's it.

10 BENNY WAMPLER: Do we have a motion?

11 JIM McINTYRE: Motion to approve.

12 BILL HARRIS: Second.

13 BENNY WAMPLER: Motion to approve and a second. Any further
14 discussion?

15 (No audible response.)

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

17 (All members signify by saying yes.)

18 BENNY WAMPLER: Opposed, say no.

19 (No audible response.)

20 BENNY WAMPLER: You have approval. Next, we have a petition
21 from John Sheffield, Trustee of the Oryn Treadway Sheffield, Jr. Trust. This is
22 docket number VGOB-05-1213-1548, continued from December. We'd ask the
23 parties that wish to address the Board in this matter to come forward at this time.

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1 BOB WILSON: Mr. Chairman.

2 BENNY WAMPLER: Mr. Wilson.

3 BOB WILSON: The Board received a...the Staff Board received a
4 faxed letter yesterday from Mr. Peter Glubiack relative to this petition. I'll pass
5 that around at this time.

6 BENNY WAMPLER: Go ahead and state your name for the record,
7 please.

8 JOHN TOLMAN SHEFFIELD: My name is John Tolman Sheffield.

9 MARK SWARTZ: I might participate too.

10 BENNY WAMPLER: Do you have a copy of this letter that we're
11 looking at?

12 MARK SWARTZ: Yeah, I just got it.

13 (Benny Wampler and Sharon Pigeon confer.)

14 SHARON PIGEON: Mr. Sheffield, are you an attorney?

15 JOHN TOLMAN SHEFFIELD: No, ma'am, I'm not.

16 SHARON PIGEON: Does Mr. Glubiack represent you in this matter?

17 JOHN TOLMAN SHEFFIELD: Yes, he does.

18 SHARON PIGEON: Do you understand that as a civilian, you don't
19 have the capacity to ask question here? You can appear, but you can't go
20 forward as an attorney in this matter.

21 JOHN TOLMAN SHEFFIELD: In these proceeding? Yes, ma'am.
22 I...I felt compelled to come before it because the Board asked some things of me
23 and I brought those things. So, that's why I felt compelled to be here, concerning
24

1 the VGOB numbers.

2 SHARON PIGEON: This is your petition though.

3 JOHN TOLMAN SHEFFIELD: Yes, it is.

4 SHARON PIGEON: Who...who's going to put on your case for you?

5 JOHN TOLMAN SHEFFIELD: It's a continuation of the December,
6 that's it correct. The Board...and I guess either if the Board wishes that I try to
7 continue the best I can as a mineral owner or if they liked me to come back at
8 another time.

9 BENNY WAMPLER: We can't let you continue it. You're
10 represented by an attorney.

11 JOHN TOLMAN SHEFFIELD: I understand...I understand.

12 SHARON PIGEON: If we let you continue, you take the position of
13 co-counsel, you see, and that's practicing.

14 JOHN TOLMAN SHEFFIELD: I...that's fine. And I apologize for the
15 difficulty. I just wanted to---

16 MARK SWARTZ: You could fire your lawyer though.

17 (Laughs.)

18 JOHN TOLMAN SHEFFIELD: You know, I had one kind of go away
19 on me. I didn't get the chance.

20 SHARON PIGEON: I can't...I can't give him that information. Then
21 all at once you're---

22 JOHN TOLMAN SHEFFIELD: Just have Mark ask me the
23 questions. I'm very sorry for the difficulty here. I just wanted the Board to know
24

1 that I was standing ready and---

2 SHARON PIGEON: We appreciate that.

3 JOHN TOLMAN SHEFFIELD: Yes, ma'am.

4 BENNY WAMPLER: Do you want it next month?

5 JOHN TOLMAN SHEFFIELD: Yes, sir.

6 BENNY WAMPLER: Do you think you can have him here next
7 month?

8 JOHN TOLMAN SHEFFIELD: I hope so.

9 SHARON PIGEON: Then you can consider Mark's suggestion.

10 BENNY WAMPLER: This matter will be continued until April.

11 JOHN TOLMAN SHEFFIELD: Thank you.

12 BENNY WAMPLER: The next item on the agenda, and then we'll
13 take a little break after this, a petition from CNX Gas Company, LLC for creation
14 and pooling of sealed gob drilling unit VP8SGU4, docket number VGOB-06-0321-
15 1597. We'd ask the parties that wish to address the Board in this matter to come
16 forward at this time.

17 MARK SWARTZ: Mark Swartz and Les Arrington and perhaps
18 Anita.

19 BENNY WAMPLER: Well, we'll need to swear "perhaps" in if she's
20 going to---

21 (Laughs.)

22 MARK SWARTZ: Why don't you raise your right hand and just...you
23 never know, okay.

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1 ANITA DUTY: I need to sit down first.

2 (Anita Duty is duly sworn.)

3 (Anita Duty passes out exhibits.)

4 BENNY WAMPLER: Okay, the record will show no others. You may
5 proceed.

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7 LESLIE K. ARRINGTON

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. SWARTZ:

10 Q. Okay, Les, would you state your name for me, please?

11 A. Leslie K. Arrington.

12 Q. Who do you work for?

13 A. CNX Gas Company, LLC.

14 MARK SWARTZ: Mr. Chairman, I'd like to incorporate Mr.
15 Arrington's prior testimony with regard to the applicant, the operator, standard
16 lease terms and his employment?

17 BENNY WAMPLER: That will be incorporated.

18 Q. Les, this is a slightly different than the poolings that we just
19 looked at. This is a sealed gob unit, is it not?

20 A. Yes, it is.

21 Q. Okay. And...and what's the mine that's involved here?

22 A. The VP8 mine or the Consol Energy.

23 Q. And, I think, you just passed some maps out to the Board

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1 members?

2 A. Yes, I have.

3 Q. And this...is this one of the maps you gave me?

4 A. Yes, it is.

5 Q. Okay. And the VP8 sealed gob four map that look like this,
6 is that an outline of the area that you're proposing to be sealed and operated as a
7 sealed gob unit?

8 A. Yes, it is.

9 Q. Okay. And then the other map you gave them, locates this
10 area in the mine, does it not?

11 A. Yes, it does.

12 Q. Could you hold it up and sort of just point to where---?

13 A. Yes. The VP8 mine is kind of this area here totally...the
14 total area of the mine there. And the sealed gob unit we're speaking to, at this
15 point, is this small area on that western side of the mines here. That would be
16 this boundary right here that you're---

17 BENNY WAMPLER: The Rattlesnake Branch area?

18 A. Yes, basically.

19 Q. And when---?

20 A. Yes.

21 Q. ---you did your application...let's do a little bit of
22 housekeeping here.

23 A. Yes.

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1 Q. But when you did your application, the application stated
2 that there was an acreage, right?

3 A. Yes, it did.

4 Q. And that acreage, if I'm not mistaken, was this one?

5 A. Yes, it was 481 and when we got everything put together
6 last night, it turned out the acreage in it is 579.79 acres. You'll notice that
7 acreage number is on the tract IDs also and it's also reflected in the attached
8 exhibits.

9 Q. Okay. So, basically, what we're saying is that the tract
10 identifications that you have with the application are correct and at the top of each
11 page, it states the total acreage and the acreage that was represented in the
12 application and the notice was less and it was incorrect?

13 A. Correct.

14 Q. And your other exhibits that pertain to acreage are also
15 tracking the 579.79?

16 A. Yes, it does. Yes, it does.

17 Q. Okay. Did...what kind of notice did you provide to the folks
18 that you've listed in your notice of hearing that there would be a hearing today?

19 A. Yes. We mailed this by certified mail return receipt
20 requested on February the 17th, 2006 and published in the Bluefield Daily
21 Telegraph on March the 3rd, 2006.

22 Q. Okay. And have you filed your certificates with regard to
23 publication and with regard to mailing with Mr. Wilson?

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1 A. Yes, we have.

2 Q. Okay. And in response to that mailing, have you gotten a
3 ton of phone calls and cards to correct addresses and names---?

4 A. Yes.

5 Q. ---and sort forth?

6 A. Yes. And you'll notice that reflected in all of the revised
7 exhibits that Anita has passed out.

8 Q. Okay. So, there's quiet a packet of...a substantial packet
9 of revised---?

10 A. Yes.

11 Q. ---exhibits today?

12 A. Yes, it is.

13 Q. And included in there, would be a B-3?

14 A. Yes, it is.

15 Q. And you're tracking in that Exhibit B-3, the updated
16 information that you've obtained from people calling and writing and so forth since
17 you originally mailed?

18 A. Yes. And we realize that this is going to be a continuing
19 process on this one and the next one also.

20 Q. Okay. There's a lot of people involved.

21 A. Yes, there was.

22 Q. Okay. Now, in addition to updating the B-3, which you've
23 submitted today to give current addresses and the most current information you
24

1 can, have you also submitted an exhibit addressing whether or not you need to
2 dismiss anybody?

3 A. We did. There's an Exhibit B-2.

4 Q. And Exhibit B-2, I think, is a three page exhibit which
5 follows immediately after the proof of publication, if I'm not mistaken. And
6 what...what have you listed there?

7 A. Well, we've listed the parties that we've either listed or we
8 found that we have listed. All of those parties we're asking to be dismissed also.
9 Then if you'll notice on the last page, there was some incorrect owners shown.

10 Q. Okay. Who would also be dismissed?

11 A. Yes.

12 Q. Okay. So, are you asking the Board today to dismiss as
13 respondents the people that are listed in Exhibit B-2 for the reasons expressed in
14 B-2?

15 A. Yes, we are.

16 Q. Okay. And is your revised Exhibit B-3 that you've
17 submitted today...have you extracted the B-2 people?

18 A. Yes, we hope so.

19 Q. Okay. It was your intent to do that?

20 A. Yes, it was. That's right.

21 Q. All right. Do you want to add anybody today as a
22 respondent?

23 A. No.

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1 Q. Okay. The...let's look...let's go to the last revised exhibit
2 today. If you would, would you tell...looking at Exhibit A, page two, would you tell
3 the Board what you've been able as the applicant to...the interest you've been
4 able to acquire and the interest you're seeking to pool?

5 A. Yes. We've leased 98.0096% of the coal owner's claim to
6 coalbed methane and 59.4962% of the oil and gas owner's claim to coalbed
7 methane. We're seeking to pool 1.9904% of the coal owner's claim to coalbed
8 methane and 40.5038% of the oil and gas owner's claim to coalbed methane.

9 Q. And if I'm not mistaken, you do not have any permitted
10 coalbed methane wells in this area.

11 A. No, sir, we do not.

12 Q. Okay. I think there are three BBH holes in the area?

13 A. There...there are. And we are presently converting one of
14 those holes to a CBM well.

15 Q. I see you've got a permit for that one.

16 A. We...it's...the application has been submitted.

17 Q. Okay. Okay. You're going to convert one of them?

18 A. Yes, we are.

19 Q. Are you going to drill another one or are you going to
20 convert another one?

21 A. No, we'll probably drill one other well.

22 Q. Okay. In terms of your cost estimate that you provided to
23 the Board with regard to this sealed gob unit, what...what are you estimating as a
24

1 cost?

2 A. Just a minute. I think on the spreadsheet, I believe, that's
3 an error. Yeah, just a minute, I'll get it. The total cost is \$345,412.40. What that
4 actually is the costs for the one BBH and the additional drilling of another
5 BB...CBM well.

6 Q. Okay. So, you basically have put those in at \$172,706.20
7 each?

8 A. Yes. The cost that's listed on the spreadsheet is incorrect.

9 SHARON PIGEON: Could you repeat that number for me?

10 A. Yes. It's \$345,412.40. That's essentially for two wells
11 within that unit.

12 SHARON PIGEON: Thank you.

13 Q. And the three BBH holes are on the map that...this map.

14 A. Yes.

15 Q. Which...which one, if you know, are you converting?

16 A. I'll have to look. I can't...it's V590.

17 Q. Okay. The one furthest to the west?

18 A. Yes, it is.

19 Q. Is it your plan to drill...you don't really have any off to the
20 east?

21 A. No, sir.

22 Q. Is that where you're going to go?

23 A. Yes, it one in the eastern section of the area someplace.

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1 Q. So, you'll sort have one on each side?
2 A. Yes.
3 Q. And I don't see that you're proposing to charge any of the
4 seals or any of that?
5 A. No.
6 Q. Okay. So, it's just the two wells?
7 A. Correct...correct.
8 BENNY WAMPLER: The well that you're going to drill, excuse me
9 for interrupting, you're holding that this same cost, 172---?
10 A. Yes, sir.
11 BENNY WAMPLER: Okay.
12 Q. The...I think everybody knows, but just to get it into the
13 record, this mine is in what seam?
14 A. Pocahontas #3 seam.
15 Q. So, the sealed gob area will be in the 3 seam?
16 A. Yes, it is.
17 Q. Okay. There are a number of conflicts,
18 right,---?
19 A. Yes, there are.
20 Q. ---that are going to require escrow?
21 A. Yes.
22 Q. Why don't you go ahead and slowly recite that list for us?
23 A. Okay. It's 1A, 1C, 1D, 1E, 1G, 1H, 1I, 1J, 1K, 1L, 1M, 1N,
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1 1P, 1Q, 1R, 1S, 1T, 1U, 1V, 1W, 1X, 1Y, 1Z, 1AA, 1BB, 3, 4, 5A, 5B, 5C, 5D, 5E,
2 5F, 5G, 5H, 5I, 5J, 5K, 5L, 5M, 5N, 5O, 5P, 5Q, 5R, 5S, 5T, 5U and Tract 8.

3 Q. And then we've got some address issues in some of the
4 tracts you've already named. But what are the tracts specifically that have
5 address problems that would require escrow for that additional reason?

6 A. Yes. 1G, 1J, 1R, 1U, Tract 3.

7 Q. Okay. And then we have three tracts where we've got split
8 agreements?

9 A. Yes. 1D, 1F and 1Q.

10 Q. Are you asking that the Board, if they enter an order,
11 provide that you can pay the folks who have split agreements that are identified in
12 Exhibit EE, pay them directly rather than escrowing their funds?

13 A. That's correct, we are.

14 Q. And the...there's a revised Exhibit EE, which has all those
15 three tracts on it?

16 A. Yes.

17 Q. Now, you have...have an Exhibit D, which is something that
18 we don't see very often.

19 A. That's correct.

20 Q. So, let's just talk about that for a moment. And would it be
21 true that the folks you've identified in Exhibit D are people that you have leases
22 from?

23 A. Yes, they are.

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1 Q. Okay. And the reason for Exhibit D, would be to point out
2 to whoever is drafting the order if one is entered, the folks who are not entitled to
3 an election because they have a lease?

4 A. That's correct.

5 Q. Okay. And as always, we're creating a sealed job unit, we
6 usually show up here asking for two things, right?

7 A. Yes.

8 Q. We're asking on the one hand to create a unit that looks
9 like the map---

10 A. Correct.

11 Q. ---and then we're asking to pool the people that we've
12 listed as respondents, who are the folks that we don't have leases from?

13 A. Yes, we are.

14 Q. Okay. And why do we give our lessors notice of this kind
15 of a hearing?

16 A. Because generally in most all of your leases, you're only
17 able to create smaller units, 80 or 160 acre units. These units are much larger.
18 So, they---

19 Q. They're entitled to a notice?

20 A. ---entitled to notice.

21 Q. Okay. Even when you have a lease from them?

22 A. That's correct.

23 Q. Okay. Is it your opinion that the use of two CBM wells,
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1 which is what you've proposed here, that that would be sufficient to efficiently
2 drain and produce in a reasonable fashion the coalbed methane from this sealed
3 gob area?

4 A. Yes, it would.

5 Q. And is it also your opinion, that if you take the lease
6 agreements that you already have in place and combine them with a pooling order
7 pooling these respondents, that you would then in effect have everyone engaged
8 and their correlative rights protected?

9 A. Yes, it would be.

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

11 BENNY WAMPLER: What exhibit numbers do you want to assign to
12 the two handouts that you have?

13 MARK SWARTZ: You can pick whatever.

14 SHARON PIGEON: You have Exhibit AA on one.

15 BENNY WAMPLER: So, we'll go with A and AA.

16 SHARON PIGEON: Well, we already have A.

17 BENNY WAMPLER: Yeah, that's right.

18 SHARON PIGEON: So, we should use BB.

19 BENNY WAMPLER: BB. AA and BB.

20 (Pause.)

21 BENNY WAMPLER: Mr. Swartz, I'm going to ask you just for the
22 Board's information to explain...you know when you do the EE split agreement---?

23 MARK SWARTZ: Uh-huh.

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1 BENNY WAMPLER: ---going back to the original application, for
2 example...and it don't matter which one you pick. I just picked 1Q, for example.

3 MARK SWARTZ: Okay.

4 BENNY WAMPLER: And you list...in the original you list Harrison-
5 Wyatt, LLC and Island Creek, Jewell Smokeless and all those other folks.

6 MARK SWARTZ: Okay.

7 BENNY WAMPLER: And then when you listed over in application
8 you'll list CNX, for example, or Consol Energy and then when you list it here for
9 splits, you only have Wyatt...Harrison-Wyatt and CNX.

10 MARK SWARTZ: Okay. Les, you can go ahead.

11 LESLIE K. ARRINGTON: That's not a problem. In the tract IDs, let
12 me get to them, in any tract...since you're looking at...did you say 1Q?

13 BENNY WAMPLER: I just picked one, yeah.

14 LESLIE K. ARRINGTON: Well, I'm going to use 1S just for instance.
15 Harrison-Wyatt is the coal owner, then Island Creek, of course, has the coal
16 leased there. So, they would...Island Creek wouldn't be shown back there. It
17 would be Harrison-Wyatt as the coal owner. Jewell Smokeless has the coal
18 above drainage leased. So, they don't own any mineral interest. They just have
19 the coal leased.

20 BENNY WAMPLER: From Harrison-Wyatt?

21 LESLIE K. ARRINGTON: From Harrison-Wyatt. CNX Gas has a
22 CBM lease from Harrison-Wyatt. Then you'll notice it says, "Ernest Church" has
23 the surface oil and gas leased there...that they have the surface oil and gas.

24

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1 Now, you'll see them listed in the oil and gas section only. Then that's where you
2 conflict would come into play. Then, of course, here it says we have a oil, gas
3 and coal seam gas lease from Mr. Church.

4 BENNY WAMPLER: And your agreement that's listed AA is only
5 with the coal owner?

6 LESLIE K. ARRINGTON: It will be the coal owner and the oil and
7 gas owner---

8 BENNY WAMPLER: Okay.

9 MARK SWARTZ: Actually, let me---

10 LESLIE K. ARRINGTON: ---that would be shown in EE.

11 MARK SWARTZ: Let's go to...go to the revised Exhibit EE because
12 it has got three tracts. Let's just pick one of them and stay in the tract ID. If you
13 go to 1B, and this may not work, but let me...let's find one that will be illustrative
14 that you're---

15 BENNY WAMPLER: Right. I just want the Board to understand.

16 MARK SWARTZ: Exactly.

17 LESLIE K. ARRINGTON: Okay. 1---

18 MARK SWARTZ: This one actually works. 1B works.

19 BENNY WAMPLER: Uh-huh.

20 MARK SWARTZ: If you look at Exhibit EE, we're saying that
21 Harrison-Wyatt and Arch Boyd have entered into a split agreement. I mean, that's
22 what that...that's what that means. Now, if you go to the tract identifications, who
23 owns the coal, Les?

24

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1 LESLIE K. ARRINGTON: Harrison-Wyatt.
2 MARK SWARTZ: Who owns the oil and gas?
3 LESLIE K. ARRINGTON: Arch Boyd.
4 MARK SWARTZ: Are those the two...only two owners?
5 LESLIE K. ARRINGTON: Yes, it is.
6 MARK SWARTZ: Okay. So, basically, that tract isn't going to
7 require any escrow at all?
8 LESLIE K. ARRINGTON: That's correct because they have a
9 royalty split agreement, that's correct.
10 MARK SWARTZ: Right.
11 LESLIE K. ARRINGTON: Shown in EE.
12 MARK SWARTZ: And all these other people are...have interests,
13 but wouldn't be...entitle them to a royalty?
14 LESLIE K. ARRINGTON: That's correct.
15 MARK SWARTZ: Now, what can happen, and I don't know if we can
16 find an example here...well, let's look at 1F just for the heck of it. That's not going
17 to work though. What I was looking for...are there occasions, and none of these
18 three tracts work. I can't illustrate---.
19 BENNY WAMPLER: Yeah, I know. I know. But that's why I wanted
20 the Board to understand this.
21 MARK SWARTZ: But are there occasions sometimes where you've
22 got a split agreement, where you've got multiple owners, like you could have...let's
23 say you've got three oil and gas owners and they each have an undivided interest
24

1 of a third and then you've got one coal owner. One of those three oil and gas
2 owners and there's no split agreement.

3 LESLIE K. ARRINGTON: That's---.

4 MARK SWARTZ: And that happens?

5 LESLIE K. ARRINGTON: That happens numerous times.

6 MARK SWARTZ: And we see that. This is...I'm not going to be able
7 to get there in this application. And under those circumstances, you would still be
8 requiring two...escrowing two-thirds---?

9 LESLIE K. ARRINGTON: Two-thirds of it, yes.

10 MARK SWARTZ: ---of the royalty because you've only got a split
11 agreement signed by a one-third undivided owner?

12 LESLIE K. ARRINGTON: Yeah, that's right.

13 MARK SWARTZ: I think that's probably what---.

14 BENNY WAMPLER: I just...I just---.

15 LESLIE K. ARRINGTON: Yeah.

16 BENNY WAMPLER: ---them trained...you know, a little bit of
17 training on this because it's lists numerous people here.

18 MARK SWARTZ: Right.

19 BENNY WAMPLER: None of them did that. But---.

20 MARK SWARTZ: But sometime...I mean, that's not unusual that we
21 see that---.

22 BENNY WAMPLER: Right.

23 LESLIE K. ARRINGTON: Numerous times.

24

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1 MARK SWARTZ: ---pretty often where there's just a partial
2 agreement.

3 BENNY WAMPLER: Tell us again about the notice issue...the
4 notice that you said that you did and why you did it.

5 LESLIE K. ARRINGTON: Oh, on this one. Yeah, this just took a
6 long time and this...this area of the mine was a very old sealed area that it has just
7 taken us a long time in getting this put...this area put together as best we could.
8 You'll notice on the next sealed gob unit, the exhibits...if you think this one was
9 long, well the next one is even much, much longer. It just took us a long time to
10 get all the copies made. We've had numerous phone calls saying, "Hey, you've
11 got my interest wrong. You've got my address wrong." That's the reason for this
12 revised set. What we had hope to do is prior to the Board order being actually
13 finalized, when it's recorded, submitting that day a final copy of the exhibits from
14 all the phone calls we've been getting.

15 MARK SWARTZ: So, at least everybody's address is right---.

16 LESLIE K. ARRINGTON: Yes.

17 MARK SWARTZ: ---when it goes out because we don't want to mail
18 to people with wrong addresses.

19 BENNY WAMPLER: But to Exhibit D, you mentioned you noticed all
20 those people.

21 MARK SWARTZ: Oh, yes, sir. On Exhibit D, the reason we noticed
22 all of the Exhibit D owners or that's all of our lessors. So, that would be the 98%
23 of the lease that I spoke to that we had leased from the coal owners and

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1 then---

2 BENNY WAMPLER: And you were required to notice those lessors
3 because...?

4 LESLIE K. ARRINGTON: We were creating the unit that was larger
5 than units were allowed in the lease.

6 BENNY WAMPLER: Thank you. Other questions from members of
7 the Board?

8 (No audible response.)

9 BENNY WAMPLER: Do you have anything further?

10 MARK SWARTZ: No.

11 BENNY WAMPLER: Is there a motion?

12 JAMES McINTRYE: Motion to approve.

13 DONALD RATLIFF: Second.

14 BENNY WAMPLER: Motion to approve and a second. Any further
15 discussion?

16 (No audible response.)

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

18 (All Board members signify by saying yes.)

19 BENNY WAMPLER: Opposed, say no.

20 (No audible response.)

21 BENNY WAMPLER: You have approval. We're going to take a five
22 minute break.

23 (Break.)

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1 BENNY WAMPLER: The next item on the agenda is a petition from
2 CNX Gas Company, LLC for creation and pooling of sealed gob drilling unit,
3 VP8SGU3, docket number VGOB-06-0321-1598. We'd ask the parties that wish
4 to address the Board in this matter to come forward at this time.

5 MARK SWARTZ: Mark Swartz, Les Arrington and Anita Duty,
6 maybe.

7 BOB WILSON: Mr. Chairman.

8 (No audible response.)

9 BOB WILSON: Mr. Chairman.

10 (Board members confer while Anita Duty passes out exhibits.)

11 BOB WILSON: Mr. Chairman.

12 BENNY WAMPLER: Mr. Wilson.

13 BOB WILSON: I'd like to acknowledge the fact that each Board
14 member should have received a letter from attorney Peter Glubiack representing
15 clients who wish to comment on this particular item. Also, in the last couple of
16 days, we received a second letter from Mr. Glubiack's office adding the John
17 Sheffield Trust and the Oryn Treadway Sheffield Trust to the folks he's
18 representing in this matter. I'll pass that letter out at this time.

19 (Bob Wilson passes out the letter.)

20 BENNY WAMPLER: Do we have to go through and find out what's
21 different than the 10th and the 13th?

22 (No audible response.)

23 BENNY WAMPLER: Do you know what I'm saying?
24
25

1 BOB WILSON: I'm sorry?

2 BENNY WAMPLER: I said, do we have to go through and find out
3 what's different than the 10th and the 13th letter?

4 BOB WILSON: I personally have no knowledge of it other than the
5 fact that we received it over the fax at the office.

6 DONALD RATLIFF: Other than he added the names.

7 BOB WILSON: The purpose was to add the Sheffield Trust to the
8 people that he's representing in this, as I understand it.

9 (Pause.)

10 BENNY WAMPLER: Well, he's requesting a continuance right?

11 LESLIE K. ARRINGTON: Yes.

12 MARK SWARTZ: And we're objecting.

13 BENNY WAMPLER: And you're objecting.

14 MARK SWARTZ: And the reason, just to make it real short, this is a
15 mine. We've got a ton of wells. I mean, look at all the dots. You know, we need
16 to continue to produce those. We can't let the pressure build up in here. I mean,
17 we need an order sooner rather than later. So, that's the only reason for the
18 objection. We don't want to revent these holes. We would rather capture it.

19 (Pause.)

20 BENNY WAMPLER: What's the Board's pleasure? It's our call here
21 whether we continue this. Mr. Wilson, do you have anything to offer on whether
22 or not we continue this or not?

23 BOB WILSON: No, sir, I do not.

24

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1 JAMES McINTRYE: I'm not quite sure, Mr. Chairman, that I
2 understand. He's asking for a continuance because... based on gas ownership
3 and lease issues. That's outside our purview. Allowable cost issues and
4 ownership issues... allowable cost, I'm not sure I know what he's saying there.

5 BENNY WAMPLER: Probably getting into...well, I don't. I mean, I
6 can't speak for him. Typically, when people use that term, they're talking about
7 deductions and things like that or taking it...and that's...the Board has already
8 decided it doesn't make those decisions. If he's challenging an AFE or something
9 like that, that's different.

10 BILL HARRIS: Well, now, the other thing in bold on page two, it
11 says...asked that the Board reject the application.

12 BENNY WAMPLER: Uh-huh. So, are we asking for a continuance
13 or are we asking for---?

14 SHARON PIGEON: He can't ask for the other one. He needs to be
15 here for that.

16 BENNY WAMPLER: Yeah. He's wanting a continuance because he
17 knows we can't react to a rejection of it without hearing the case and having him
18 make a presentation as to why he thinks we should. Of course, paragraph D, he
19 circled it.

20 (Sharon Pigeon confers with Benny Wampler.)

21 BENNY WAMPLER: Well, it's clearly our call whether or not we go
22 forward with hearing the case. If we do go forward, Sharon has said
23 that...SHARON PIGEON has said that we cannot consider the arguments made in
24

1 his letter.

2 SHARON PIGEON: He would have to be here and a witness would
3 have to testify to these things and the applicant would have to have the
4 opportunity to cross examine which, obviously, they would be deprived of
5 addressing a piece of paper. I'm not sure that I exactly understand the argument
6 he's trying to make on the paper anyway. So, we can't feel in the blanks for him.

7 MARY QUILLEN: Because I felt the same way. I don't...I don't
8 understand what it is.

9 SHARON PIGEON: Exactly. So, there's several reasons it can't be
10 handled. His arguments cannot be handled this way.

11 MARY QUILLEN: Right.

12 SHARON PIGEON: Now, whether or not you want to go forward or
13 grant a continuance is a judgment call that the Board can make.

14 BENNY WAMPLER: Is there a motion?

15 JAMES McINTRYE: Motion to move forward.

16 DONALD RATLIFF: Second.

17 BENNY WAMPLER: And seconded. Any further discussion?

18 (No audible response.)

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

20 (All Board members signify by saying yes.)

21 BENNY WAMPLER: Opposed, say no.

22 (No audible response.)

23 BENNY WAMPLER: Unanimous we're going to forward. The record

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1 will show no...no one else. Mr. Swartz, you may proceed.

2 MARK SWARTZ: I'd like to incorporate Mr. Arrington's testimony
3 from the first hearing today with regard to the applicant, the operator, standard
4 lease terms and---

5 BENNY WAMPLER: That will be incorporated.

6 MARK SWARTZ: This...just to sort of focus everybody, this is
7 another sealed gob unit. It's a little bigger than the one that we were just dealing
8 with, but it's right next to the one that we were just talking about. The one that we
9 were just discussing is the furthest one over here, this little one and this one is
10 right...is right here right next to it just to the east of it. You can see that it's not
11 real clear, but it's got the VP8 sealed gob unit 3 sort of. At the top there in this...in
12 this area is what we're talking about.

13

14 LESLIE K. ARRINGTON

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. SWARTZ:

17 Q. Les, do we have an acreage discrepancies that we need to
18 talk about with them again?

19 A. Yes. Just like it was on the last one. The exhibits, the tract
20 IDs, the Exhibit B-2, B-3...all...all exhibits have the proper acreages. It was the
21 acreage within the application that was incorrect. The acreage is 4,549.54 acres.

22 Q. About a difference of about an acre?

23 A. Yes.

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1 Q. But the correct number is reported in the tract IDs in the
2 application?

3 A. Yes.

4 Q. And it's reported in the...and it's used in the calculation?

5 A. Yes, it was.

6 Q. Okay. What are the two things that we're asking the Board
7 to do with regard to this application?

8 A. Is creating unit...a sealed gob unit and the pooling of that
9 unit.

10 Q. Okay. And with regard to creating the unit, is...is Exhibit
11 AA a depiction of the unit that you're seeking to create?

12 A. Yes, it is with the mine plan and the existing wells that's
13 within that area there's 296... approximately 296 wells within that sealed gob area
14 that we're proposing.

15 Q. Okay. And...and how many of those wells are you...of
16 those 200 plus wells are you planning on using and producing in this area?

17 A. Presently, what we're planning on asking for the cost is for
18 26 wells. That's for approximately 13 longwall panels. There are 14 panels there,
19 but one of them is relatively short. So, I'm only asking for 2 wells per panel for 13
20 panels and the cost for 26 wells.

21 Q. And the...you've also got another map, which is a large
22 map, Exhibit A, and I think this was actually in the application, and that shows the
23 tracts.

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1 A. That's the...that is the unit...the gob unit with the tracts on it
2 and the tract identifications and that way you can just refer to the tract
3 identifications and identify each tract.

4 Q. Okay. And you've used the same numbers on this map
5 that you've used in the tract IDs---

6 A. Yes, we have.

7 Q. ---elsewhere in the application?

8 A. Correct.

9 Q. Okay. And then lastly, we'll talk briefly about this. But
10 you've got a map that shows the VP8 mine and shows the unit that we just talked
11 about a few minutes ago and the one that we're speaking to now?

12 A. Yes, it does.

13 Q. And is the one...where is the one we're speaking to?

14 A. It's the larger one that you depicted there a minute ago.

15 Q. Okay.

16 A. In amongst a bunch of sealed units.

17 Q. And, again, what...what coal seam would this sealed gob
18 area be in?

19 A. Pocahontas #3 seam.

20 Q. Now, there is in amongst the application, I'm just going to
21 show the Board this, there's a chart which came with the original application.

22 A. Yes, it does.

23 Q. It looks...looks like this. And what's... what's on that?

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1 A. That lists all of the wells that's drilled within that unit. I
2 think it lists the permit number for each well.

3 Q. Okay. And are there a number of Oakwood units...strike
4 that. Is this sealed gob unit within the Oakwood Field?

5 A. Yes, it is.

6 Q. Are there...were there Oakwood units that had previously
7 been pooled either voluntarily or by Board order that are above this sealed gob?

8 A. Yes, there are.

9 Q, And the reason we're here is to allow for sealed gob
10 production from...from that area, correct?

11 A. Yes, it is.

12 Q. Can you tell the Board whether or not it's your
13 understanding that the Oakwood Field rules cover sealed gob production?

14 A. No, they do not.

15 Q. Okay. And that's why we have to come back?

16 A. Yes.

17 BENNY WAMPLER: Excuse me. You said "From that area." From
18 what area? Just be specific.

19 Q. Well, from the area that you're seeking to create?

20 A. Yes.

21 Q. You're seeking to create this unit?

22 A. Yes.

23 BENNY WAMPLER: On other thing, on the charts you refer to, is it
24
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1 Exhibit C Supplement, is that how it's labeled? You were talking about the chart
2 listing the wells. You've got it in your hand.

3 MARK SWARTZ: It's Exhibit C Supplement, yes, it is.

4 BENNY WAMPLER: Just for the record.

5 Q. And sometimes I know you provide a list of Board orders
6 that could be affected here. I think it's in the packet where---

7 A. It is. It's Exhibit F.

8 Q. Okay. Let me see if I can find that.

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

10 MARK SWARTZ: But there should...you all should have an Exhibit
11 F, which has a list of units and docket numbers pertaining to areas in the
12 Oakwood Field that would fall within the boundaries of this sealed gob unit and
13 there are a goodly number of them.

14 LESLIE K. ARRINGTON: Yes, there are.

15 Q. Just let me point out some language to you. In...this is an
16 example of the Board orders that get entered generally speaking, and there's a
17 relief granted paragraph, is there not?

18 A. Yes.

19 Q. And you'll notice in the relief granted, there's two kinds of
20 relief that you would typically get?

21 A. Uh-huh.

22 Q. Do you see that?

23 A. Yes.

24

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1 Q. And the first...the first relief is it tells you how you can
2 produce the gas.

3 A. Yes.

4 Q. You can use a frac well or you can do whatever.

5 A. Yes.

6 Q. And what is the second...read the second, what generally
7 is the kind of relief that---

8 A. This one?

9 Q. Yes.

10 A. "All the interest and estates in and to the gas in the subject
11 drilling unit including that of the applicant and the known and unknown persons
12 listed on Exhibit B-3."

13 Q. Keep going.

14 A. "Attached hereto and made a part hereof, their known and
15 unknown heirs, executors, administrators, the devisees, trustees, assigns and
16 successors, both immediate and remote be and hereby are pooled in the subject
17 formation in the subject drilling unit underlying and comprised of the subject
18 lands."

19 Q. Okay. Would you agree with me that to the extent that
20 we've pooled folks in this area before, we've pooled their gas, but we just haven't
21 gotten permission to produce it from a sealed gob unit?

22 A. Yes.

23 Q. Okay.

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1 A. Absolutely.

2 Q. Okay. The...we've talked about the acreage and we've
3 talked about the wells. The 26 wells that you're proposing, how are they going to
4 be distributed across the unit just in a general sense?

5 A. In general, we hope to be producing at minimum two wells
6 per longwall panel.

7 Q. Okay.

8 A. So---.

9 Q. Basically, the longwall panels are the larger shaded areas?

10 A. Yes, it is.

11 Q. Okay. And the short one that you talked about is at the
12 upper right-hand corner?

13 A. Yes.

14 Q. Okay. So, you're going to try to get two per panel?

15 A. Yes.

16 Q. Okay. And are you essentially going to be converting
17 existing holes to do that?

18 A. All of these wells are existing and permitted coalbed
19 methane wells.

20 Q. Okay. And are you essentially going to be converting
21 existing holes to do that?

22 A. All of these wells are existing permitted coalbed methane
23 wells.

24

25

1 Q. Okay. But I'm saying the 26 that you will be using, are all
2 of those going to be from this group of wells or are you going to drill any new
3 ones?

4 A. No, new ones.

5 Q. Okay. We've got some revised exhibits today with regard
6 to this unit, correct?

7 A. Yes.

8 Q. Okay. And we have in amongst those revised exhibits a B-
9 2?

10 A. Yes. In the B-2, by the way, on the table of contents is out
11 of place. It's behind Exhibit D. It's behind Exhibit D. And, again, all of these
12 corrections were due to phone calls, the return receipts giving us information on
13 correct this address, my interest is this amount and we anticipate this to continue
14 until we finally get a Board order. At that time, when we do get a Board order,
15 we'd like to submit a revised set of exhibits at that time. Q.

16 I'm trying to find Exhibit B-2 here.

17 BENNY WAMPLER: It's about the center of your document. It's
18 right behind D.

19 Q. Okay. B-2 is an eight page exhibit, correct?

20 A. Yes, sir.

21 Q. Okay. And why have you submitted B-2?

22 A. If you'll notice that we have additional leases that we have
23 shown, additional leases. We've located people due to diligence and you'll---

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1 Q. You've actually purchased---

2 A. ---see some that we've purchased. Just various reasons
3 that we've had to redo this.

4 Q. Okay. In...have you listed in Exhibit B-2, the version dated
5 March the 20th, 2006, the folks that you would like the Board to dismiss as
6 respondents today?

7 A. Yes, we have.

8 Q. And have you also indicated the reason for dismissal in
9 that exhibit?

10 A. We have.

11 Q. To the extent that you've made changes in Exhibit B-3,
12 which would be the list of folks that you're seeking to pool today, have you
13 reflected these dismissals that you've asked for?

14 A. Yes, we have.

15 Q. Okay. Have you also, to the extent that you received
16 phone calls and cards and letters and so forth from people in the time, have you
17 tried to update the addresses as well in B-3?

18 A. Yes, we have.

19 Q. And you know that that's going to continue?

20 A. It sure is.

21 Q. Okay. When we were looking...when I was searching for
22 B-2, I saw that we had an Exhibit D again.

23 A. We do.

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1 Q. Okay. And remind the Board why we have Exhibit D?

2 A. Yes. In our...in all of our leases, our leases do not allow
3 for the creation of this large of a unit. So, we were...we had to give them notice of
4 the formation of this unit.

5 Q. Okay. So, they've been joined simply with regard to
6 creating the unit and not with regard to pooling?

7 A. That's correct.

8 Q. So, they don't need any pooling elections or any of that?

9 A. No, they do not.

10 Q. Okay. The revised...if you would turn to revised A, page
11 two, if you can find that.

12 A. Yes.

13 Q. Okay.

14 A. I have it.

15 Q. If you would summarize for the Board what you've been
16 able to acquire and what it is you're seeking to pool today?

17 A. We have 99.2961% of the coal owner's claim to coalbed
18 methane leased and 91.8359% of the oil and gas owner's claim to coalbed
19 methane leased. We're seeking to pool 0.7039% of the coal owner's claim to
20 coalbed methane and 8.1641% of the oil and gas owner's claim to coalbed
21 methane.

22 Q. We have enough...we have a number of reasons why we
23 need escrow, correct?

24

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1 A. Yes.

2 Q. And let's start with the traditional conflicts. What tracts are
3 going to require escrow for conflicts?

4 A. Yes. 2A, 2B, 2C, 2D, 2E, 2F, 2G, 2H, 8A, 8C, 9A, 9C, 9D,
5 9E, 12E, 12G, 13A, 13B, 13C, 13D, 14A, 14B, 14C, 14D, 14E, 14F, 14H, 24A,
6 24B, 42, 45, 48, 50 and 51.

7 Q. Okay. Now, with regard to folks that we lack addresses---?

8 A. Okay.

9 Q. ---okay, what are the tracts that would require escrow for
10 that reason?

11 A. 2H, 9D, 42, 45, 48, 50 and 51.

12 Q. Okay. And then we have some split agreements in this
13 unit as well?

14 A. Yes. 5A, 5B, 5C, 8C, 9A, 9E, 14A, 14B, 14C, 14D and
15 14G.

16 Q. Are you requesting that in any order that the Board might
17 enter with regard to this unit, that the folks who have split agreements that are
18 identified in Tract...in the Exhibit EE, that you be...that the operator be allowed to
19 pay those people directly?

20 A. Yes, we are.

21 Q. Okay. The...have you filed proofs of publication and
22 certificates with regard to mailing with Mr. Wilson?

23 A. Yes, we have.

24

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1 Q. And when did you do those things? When did you do the
2 mailing and when did you...when did you publish?

3 A. We started mailing on February the 17th, 2006 by certified
4 mail return receipt requested and we published in the Bluefield Daily Telegraph
5 on March the 4th, 2006.

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

7 A. The notice of hearing and location map.

8 Q. And you mailed to everybody who you had an address for?

9 A. We did.

10 Q. Okay. The...have you provided a cost estimate?

11 A. We have.

12 Q. And have you essentially used the same per well dollar
13 figure that you used in the hearing that we just had?

14 A. I'm not...yes, a \$172,706.20 per well and the total cost is
15 \$4,490,361.20.

16 Q. And that's the two wells per longwall
17 panel---?

18 A. Yes, sir, it is.

19 Q. ---that we talked about?

20 A. Yes, it is.

21 SHARON PIGEON: Could you give me that number again?

22 A. Yes. \$4,490,361.20.

23 BENNY WAMPLER: And while we have a pause there, let me...let's
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1 just talk about those costs again. You already have the wells there.

2 Q. We have.

3 BENNY WAMPLER: Tell us why we should...you know, these
4 should be allowable costs.

5 LESLIE K. ARRINGTON: Okay. We...as I said, we have
6 approximately...well, we have approximately...well, we have 296 wells located
7 within this unit. You know, we did incur numerous costs to put those in and to
8 produce the gas that's in here without drilling additional wells. We feel that the
9 cost of 26 wells would be very minimal for that production unit.

10 BENNY WAMPLER: What happens to those other wells?

11 LESLIE K. ARRINGTON: Well, you know, we're only going to
12 produce the ones that we can get the good production from and that's the wells
13 that we will include. At this point, we don't know which wells those will be. We
14 have to test each one of them for quality. Should we start producing additional
15 wells, we may have to come back and ask for additional costs. We think that
16 maybe we can do it with the 26.

17 BILL HARRIS: Mr. Chairman.

18 BENNY WAMPLER: Mr. Harris.

19 BILL HARRIS: I'm not sure if you answered the question. The
20 question is what happens to the others?

21 LESLIE K. ARRINGTON: The other wells?

22 BILL HARRIS: Yes.

23 LESLIE K. ARRINGTON: Most all those wells will sit there in case
24

1 we have to start venting for mine safety to keep the pressure off of the mine.

2 We'll keep those additional---

3 BILL HARRIS: When you say sit there, I mean, can you---?

4 LESLIE K. ARRINGTON: Shut in.

5 BILL HARRIS: Shut...so---?

6 LESLIE K. ARRINGTON: Just shut in. We will...we will done some
7 plugging down the road if we determine that, you know, this well is just not
8 useable for anything, we will do some pugging and that's what we do in the
9 Buchanan 1 mine at this time.

10 BENNY WAMPLER: Mr. Ratliff.

11 DONALD RATLIFF: But now that you have this new unit, anyone
12 who had any right to any gas or any royalties before, no one loses anything do
13 they?

14 LESLIE K. ARRINGTON: Absolutely not. They do not.

15 DONALD RATLIFF: It doesn't matter which well it comes out of,
16 everything...their percentages are going to stay the same?

17 LESLIE K. ARRINGTON: If you're speaking to the percentages is
18 going to stay the same based on the 80 acre unit or...they're going to...no matter
19 which well that gas comes from within that sealed unit, they'll get their
20 proportional part of that total acreage.

21 MARK SWARTZ: Well, their acreage will stay the same basically
22 unless they're on a boundary, you know. But it shouldn't...that shouldn't even
23 affect it. But what is going to change, you know, instead of dividing their acreage

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1 by 80 acres, we're going to be dividing it by 4,549.54 to get a percentage. So, the
2 production is going to increased because, you know, you're going to have a huge
3 area that's going to be producing. But their actual percentage would certainly...is
4 going to be smaller, but I don't know if the dollars are going to be smaller. It's
5 just...their acreage stays the same. But that's the only constant because all the
6 math is going to change.

7 DONALD RATLIFF: But you don't expect a decrease in the amount
8 of gas you're getting because you wouldn't go through the expense to drill the
9 new wells if you didn't think there were gains, would you?

10 LESLIE K. ARRINGTON: I don't quite understand your question.

11 DONALD RATLIFF: The volume of gas from the total unit, you
12 would expect to be more than what you're getting today?

13 LESLIE K. ARRINGTON: We hope so, yes, sir, because at present,
14 a lot of those wells...well, the majority of them are shut in a this time due to
15 the...getting it sealed and now we're starting to get out and test and see which
16 wells we can produce.

17 PEGGY BARBAR: So, a natural application and just one on the
18 lefthand border, 9, 10, 11 and 12, in that area where there's 2, 4, 6, 8, 10, 12, 14
19 shut in wells, you're going to put two in that unit. Are you going to find two...keep
20 two of those---?

21 LESLIE K. ARRINGTON: Keep two.

22 PEGGY BARBAR: ---find the two that you think will be the most
23 productive so that...let's say it's, I don't know, U-108 and then U-120. The two

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1 that are far more on each extremes of that units or the ends of the unit. What
2 happens to the owners that, you know...is it going to be a probability that those
3 owners then...that have already been approved, I guess, in these orders, is there
4 a probability that they will not get any money?

5 LESLIE K. ARRINGTON: No. Everyone within the boundary up
6 here of this map will get an allocated production.

7 PEGGY BARBAR: That has already been set?

8 LESLIE K. ARRINGTON: Everybody within that boundary will get an
9 allocated production from any well that produces.

10 PEGGY BARBAR: Okay. In the boundary?

11 LESLIE K. ARRINGTON: In the boundary, yes.

12 PEGGY BARBAR: Okay. That's what I wasn't clear about.

13 MARY QUILLEN: And that will be distributed proportionately?

14 LESLIE K. ARRINGTON: Yes, ma'am.

15 MARK SWARTZ: Right. The percentages are reported in the
16 exhibit. So, I mean---

17 MARY QUILLEN: Uh-huh, yeah.

18 PEGGY BARBAR: Okay.

19 MARK SWARTZ: So, I mean, this is actually... like maybe turn to
20 page seven of sixty-nine. I just happened to open the page to that. But we've got
21 a Ruth Granton Wilkie at the top and she has a little more than a half of a percent.
22 Is that right?

23 LESLIE K. ARRINGTON: Yeah.

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1 MARK SWARTZ: Well, actually, I'm looking at D. Let me find...let's
2 just pick a frac here. Let's look at...see if you can all find Tract 16, which has
3 53.54 acres, in any one of the exhibits it ought to work, I think, and there should
4 be a percentage across from an Ann Morgan, et al of 1.1768. Okay, that is...that
5 group of people...because then there's a list under that. But that group of
6 people's interest in the production from any well, any of the 26, located anywhere
7 is that percentage.

8 PEGGY BARBAR: Okay. That's clear.

9 MARY QUILLEN: Yeah.

10 LESLIE K. ARRINGTON: Yes.

11 DONALD RATLIFF: But if I...Mr. Chairman.

12 BENNY WAMPLER: Mr. Ratliff.

13 DONALD RATLIFF: If I had...if I had a well and I was in a tract that
14 had been shutdown, it had been idled and that you hadn't been pumping from, Mr.
15 McIntyre has been in a tract or a unit that you were producing, my tract hadn't
16 been receiving any royalties because there was no production and his was. Now,
17 in the big unit, everyone that's in there is going to get some piece of the pie.

18 PEGGY BARBAR: That's what I was trying to get at.

19 LESLIE K. ARRINGTON: Yes.

20 DONALD RATLIFF: Now, his could go down, but I'm going to get
21 royalty that I didn't...I hadn't been accustomed to getting, is that--?

22 LESLIE K. ARRINGTON: That's sounds correct. That's sounds
23 correct.

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1 MARK SWARTZ: Well, his could go up to.

2 LESLIE K. ARRINGTON: Yes.

3 MARK SWARTZ: I just don't know.

4 DONALD RATLIFF: Yeah, his could go up.

5 MARK SWARTZ: But, I mean, he's going to get something.

6 Whether it's going to go up or down, I don't know. I mean, you're going to go from
7 zero to something.

8 MARY QUILLEN: Mr. Chairman. But regardless of whether his well
9 was producing and his wasn't, he had a percentage that was assigned from that
10 well originally, even though it hasn't been producing, he has a percentage of
11 ownership?

12 LESLIE K. ARRINGTON: He did. That's correct, he did.

13 MARY QUILLEN: And that percentage of ownership, if it's
14 producing, he gets it and if it's not producing he doesn't get it. But in the case of
15 this unit, this big unit that's being established, then no matter where the gas
16 comes from he will still...he will get his percentage now. Even though he was
17 getting some from a producing well, he will still be getting his same percentage,
18 right?

19 MARK SWARTZ: If you didn't use the word "same percentage" I
20 could go with you.

21 LESLIE K. ARRINGTON: Yeah.

22 MARK SWARTZ: Everything else you said, I think Les and I would
23 agree---.

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1 LESLIE K. ARRINGTON: That's correct.

2 MARK SWARTZ: ---with.

3 MARY QUILLEN: Uh-huh.

4 MARK SWARTZ: But the...the way you calculate a percentage in an
5 80 acre, if you've got 3 acres---

6 MARY QUILLEN: Right.

7 MARK SWARTZ: ---you divide 3 by 80.

8 MARY QUILLEN: Uh-huh.

9 MARK SWARTZ: You're still going to have 3 acres, but you're going
10 to be dividing it by---

11 LESLIE K. ARRINGTON: 4500.

12 MARK SWARTZ: ---4500. So your percentage is going to go down
13 dramatically, but you're revenue may not.

14 MARY QUILLEN: Will go up.

15 MARK SWARTZ: It may not. You know, I don't...you know, your
16 hypothetical his could go up or down, he's going to get money. I'm not...I'm not
17 sure. But it could conceivably go up, I mean, because he could be in a situation
18 where the well really had truly marginal production, if we weren't going to do
19 something else, it would be shut in and so he could see an increase. I mean,
20 I...but that's...the one thing we know for sure is both of those gentlemen in that
21 hypothetical are going to receive royalty no matter where the gas comes from in
22 this unit. What's also true is, their percentages is definitely going to change.

23 DONALD RATLIFF: Mr. Chairman.

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1 BENNY WAMPLER: Mr. Chairman.

2 DONALD RATLIFF: Did anyone in these 296 wells elect to
3 participate?

4 LESLIE K. ARRINGTON: No, sir.

5 BENNY WAMPLER: Was that no?

6 LESLIE K. ARRINGTON: That's correct, no.

7 MARK SWARTZ: So, nobody has got an investment that they need
8 to replace.

9 DONALD RATLIFF: That's right.

10 BILL HARRIS: Mr. Chairman.

11 BENNY WAMPLER: Mr. Harris.

12 BILL HARRIS: I'm still a little confused. I know we've had this
13 situation before when the wells are already drilled and you all are coming and
14 asking for money to pay for the drilling. I mean, what...are we not...I mean, when
15 the wells were first drilled, where did that money come from? I mean, it almost
16 seems like double dipping for some reason. I'm not accusing you all of that. But
17 I'm just saying---

18 LESLIE K. ARRINGTON: Uh-huh. Well, we...we did...we spent the
19 revenue to drill these wells and, you know, to produce these wells from this point
20 forward as a sealed gob unit, we can't...for anyone else to produce it they would
21 have to drill an additional well. So, we're asking only for two wells per longwall
22 panel to cover the costs of producing them is basically what we're asking for.

23 BENNY WAMPLER: And what we're asking is what... what are
24

1 those costs?

2 LESLIE K. ARRINGTON: Okay. Well, what we've done...what I've
3 done to do these costs, I went through and averaged the costs and the drilling
4 and the costs of all these wells, 296 wells, and that's how I came up with this
5 \$172,000.

6 BILL HARRIS: But when this well was first drilled, however many
7 years ago, was that not a deductible cost or was that not a cost that was born by
8 someone other than the company---?

9 LESLIE K. ARRINGTON: No.

10 BILL HARRIS: ---at that time?

11 LESLIE K. ARRINGTON: No, sir.

12 BILL HARRIS: So, you all bore the costs---?

13 LESLIE K. ARRINGTON: Yes, sir.

14 BILL HARRIS: ---of drilling?

15 LESLIE K. ARRINGTON: We did.

16 MARK SWARTZ: Because nobody participated.

17 LESLIE K. ARRINGTON: Nobody participated.

18 MARK SWARTZ: It's 100% their money.

19 BILL HARRIS: Oh, wait a minute, say that again.

20 MARK SWARTZ: No one participated in these units. So, the costs
21 to drill these 296 wells came from the operator, a 100% of that money. Nobody
22 has contributed.

23 MARY QUILLEN: Mr. Chairman.

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1 BENNY WAMPLER: Ms. Quillen.

2 MARY QUILLEN: So, basically, this is recovery money?

3 BILL HARRIS: Yeah, that's what it sounds like.

4 MARY QUILLEN: Is that---?

5 MARK SWARTZ: No. If you want a share of the income---.

6 LESLIE K. ARRINGTON: Yes.

7 MARK SWARTZ: ---bear a part of the costs.

8 MARY QUILLEN: Right.

9 MARK SWARTZ: I mean, we spent roughly \$75,000,000 to drill

10 these wells. If you take 300 wells at 250 a well that's \$75,000,000. And what he

11 is saying in net dollars is for a little of \$4,000,000 of costs you can buy a piece of

12 the action. I mean, that's the deal. Now, you know, it's not even 10% of what

13 they've ponied up. But this has always been their money. There's a difference

14 between getting a royalty. You know, they own...the royalty owners own that

15 royalty and what we spent to drill wells has not impact on that---.

16 MARY QUILLEN: Right.

17 MARK SWARTZ: ---you know. But if they want, in addition to be a

18 royalty owner in this unit and they want to be a partner in this unit, they're going to

19 have to make a capital contribution to the infrastructure that's going to generate

20 the revenue. I mean, that is the theory.

21 MARY QUILLEN: That's their investment costs?

22 MARK SWARTZ: That's the theory.

23 MARY QUILLEN: Okay.

24

1 MARK SWARTZ: Now, we can argue...I mean, if we were in here
2 asking for \$75,000,000 as the allocable costs, I think we might meet some
3 resistance, you know. What we try to do is we try to pick a number that we think
4 is a reasonable number under the circumstances. We've been using the two per
5 longwall panel because it tends to work out for us from a production standpoint
6 and that's the number that it generates from. I mean, that...you know, the theory
7 of the whole deal is you have your royalty interest no matter what and you don't
8 have to spend any money to benefit from that. But if you want to be a partner in
9 this undertaking, that's going to require a capital contribution. Today, I mean, that
10 was a good question, you know. No one in any of these units that have previously
11 been pool has participated. So, nobody has got an investment that they made in
12 a well that's now going away and being asked to make a second investment. So,
13 basically, all of these people who turned it down the first time, now have a second
14 chance to make a deal.

15 MARY QUILLEN: And CNX you put up all the money...the initial
16 investment was totally from company money? So, these would be investors in this
17 money and they would be part owners, basically, if they invested in it.

18 LESLIE K. ARRINGTON: Correct.

19 MARK SWARTZ: Their...their percent of the unit multiplied by times
20 the costs of 4,000,000 and
21 change---

22 MARY QUILLEN: Right.

23 MARK SWARTZ: ---would be their investment and that would buy
24
25

1 them that piece of the working interest in addition to the royalty interest.

2 JAMES McINTRYE: Mr. Chairman. The moneys that...this
3 \$4,000,000 that you seek to recapture, that comes out of the total costs of
4 production so that the royalties would go down?

5 LESLIE K. ARRINGTON: No.

6 MARK SWARTZ: No.

7 JAMES McINTRYE: Where does that money come from then?

8 MARK SWARTZ: You cannot deduct drilling costs, frac costs as a
9 costs of this well and the Board order say that. I mean, there's a provision. This
10 has just been the history in the United States anyway. But your costs...you
11 development costs are not a deductible cost when you're paying the royalty. I'll
12 just direct your attention to that. There's a...one of the options in the standard
13 Board order is to receive a royalty. The language...I'm not going to read all of it
14 because it's...it's pretty long. But the royalty that the Board orders typically would
15 provide would be a one-eighth or 12.5% of the net proceeds received by the unit
16 operator for the sell of the gas and for purposes of the order, your orders define
17 net proceeds. "Net proceeds shall be the actual proceeds received" so when you
18 sell it into the jurisdictional pipeline "less post production costs." So, after it
19 comes out of the ground. Okay, not...not the wells costs, not the in-ground costs.
20 Incurred downstream of the wellhead including transportation and marketing
21 costs and so forth. So, your order is very...it continues, what I would regard, as
22 sort of an American rule on how these costs get allocated. But your order
23 continues that and basically says, you know, you cannot load a cost to reduce a

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1 royalty unless that cost occurs after you get the gas out of the ground. So,
2 that...the well costs are investor costs that never come back as a deduction
3 against royalty and never reduce royalty.

4 BENNY WAMPLER: Go ahead and finish your questioning.

5 MARK SWARTZ: I kind of lost my train of thought here a minute.

6 But I think...I don't think I've asked these two questions and then I think I'll be...

7

8 DIRECT EXAMINATION RESUMES

9 QUESTIONS BY MR. SWARTZ:

10 Q. Is...is this...the creation of this sealed gob unit under the
11 circumstances that we've been talking about today and the use of 26 wells to
12 produce gas is this, in your view, a reasonable way to get the rest of the gas out
13 of the Pocahontas Three seam in this area?

14 A. From that sealed gob unit, yes, it is.

15 Q. Okay. And is it...is it your also your opinion that if we take
16 the list of folks from the revised Exhibit B-3 and we combine a pooling order
17 pooling those people with the list of folks in Exhibit D, which are your lessors that
18 we will have accounted for all of the claimants who claim to be royalty owners or
19 claim to have an interest in this and have protected their correlative rights?

20 A. Yes, we would have.

21 MARK SWARTZ: That's all I have.

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

23 DONALD RATLIFF: Mr. Chairman.

24

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1 BENNY WAMPLER: Mr. Ratliff.

2 DONALD RATLIFF: I'm still not...do you plan on drilling an
3 additional 26 wells?

4 LESLIE K. ARRINGTON: No, sir. Using the---.

5 DONALD RATLIFF: You're going to utilize...you're going to utilize
6 26 that's fair.

7 LESLIE K. ARRINGTON: Yes, sir.

8 DONALD RATLIFF: The original option to participate had a
9 deadline and that's now---.

10 MARK SWARTZ: It's long gone.

11 DONALD RATLIFF: ---gone.

12 MARK SWARTZ: Now, they're going to get...if this happens,
13 everybody in this unit is going to get a second chance to become a partner.

14 LESLIE K. ARRINGTON: That's shown in Exhibit
15 B-3.

16 BENNY WAMPLER: And that's why you showed the costs for the
17 well?

18 LESLIE K. ARRINGTON: Yes, sir.

19 MARK SWARTZ: Right. We...years and years ago, you know,
20 toyed with the idea of, you know, you get one chance to buy in and I'm not sure...I
21 think we talked about the Board. I mean, we were over here occasionally and
22 the...I don't know how the decision got made, you know, whether it was a joint
23 decision or the Board made a decision, but the decision for fifteen years has been

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1 every time the method of production changes, people get another opportunity to
2 participate. I mean, that's at least...it has been true for fifteen years. It's
3 obviously not something that...that we probably proposed. But---

4 BENNY WAMPLER: I don't think you did.

5 MARK SWARTZ: But that's...that's the reality.

6 BENNY WAMPLER: We'll label this colored map is BB...Exhibit BB.
7 We'll label this map that has the tract identification as CC. Other questions from
8 members of the Board?

9 DONALD RATLIFF: Mr. Chairman.

10 BENNY WAMPLER: Mr. Ratliff.

11 DONALD RATLIFF: Les, do you know the total production from
12 this...from all these 296 wells over the last year?

13 LESLIE K. ARRINGTON: No, sir, I do not. I did not---

14 DONALD RATLIFF: But you guys have analyzed that and you
15 expect that total number to increase?

16 LESLIE K. ARRINGTON: Well, over the past year...on this exhibit,
17 over the past year, we have just completed... let me make sure I'm doing it right.
18 We just... that really would be an unfair number to come up with because we just
19 completed mining this panel. So, you would have had the active gob production
20 in here in this panel this year and then the past year. Then even in this past year,
21 we also completed this panel. So, you know, to give you that number to say---

22 DONALD RATLIFF: Yeah. But now that area is sealed?

23 LESLIE K. ARRINGTON: Yes.

24

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1 BENNY WAMPLER: Do you have an estimated production from this
2 sealed area?

3 LESLIE K. ARRINGTON: Not with me, no. Again, we're just getting
4 out and starting to test and look at these wells.

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

6 MARK SWARTZ: Les, you need to tell them if you...is the impact of
7 the recent completion of longwall mining something that it tends traumatically
8 increase production or decrease production?

9 LESLIE K. ARRINGTON: Well, it...where they just finished mining
10 that, that production would be much higher than what you will normally see in a
11 sealed gob area.

12 MARK SWARTZ: So, if you include that in here, these two recently
13 completed panels, the production is going to be higher than what you would
14 typically see because the sealing is so close to mining?

15 LESLIE K. ARRINGTON: Yes.

16 MARK SWARTZ: I mean, I don't know if that's helps. But it's not...I
17 think you needed to show them which direction it was trending currently.

18 BENNY WAMPLER: Questions from members of the Board?

19 (No audible response.)

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

21 MARK SWARTZ: No.

22 BENNY WAMPLER: Is there a motion?

23 JAMES McINTRYE: Motion to approve.

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1 MARY QUILLEN: Second.

2 BENNY WAMPLER: Any further discussion?

3 (No audible response.)

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

5 (All Board members signify by saying yes.)

6 BENNY WAMPLER: Opposed, say no.

7 (No audible response.)

8 BENNY WAMPLER: You have approval.

9 MARK SWARTZ: Thank you.

10 BENNY WAMPLER: Let me go back. I know we just voted. But you

11 had in your application, estimated production, because that's what I was trying to

12 get at.

13 MARK SWARTZ: Right.

14 BENNY WAMPLER: You never asked that question.

15 MARK SWARTZ: I never.

16 SHARON PIGEON: We would like to---.

17 BENNY WAMPLER: We would like to have that on record. You

18 have in your application 2.5 to 12 bcf.

19 MARK SWARTZ: Right. It's a big number.

20 SHARON PIGEON: We'd like that in the record.

21 BENNY WAMPLER: Is that---?

22 MARK SWARTZ: Rick, why don't you come up here for a second?

23 BENNY WAMPLER: I know we voted, but this is important for

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1 people making decisions.

2 (Board members confers.)

3 (Rick Toothman is duly sworn.)

4

5 RICK TOOTHMAN

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

7 DIRECT EXAMINATION

8 QUESTIONS BY MR. SWARTZ:

9 Q. You need to state your name for us.

10 A. Rick Toothman.

11 Q. Who do you work for?

12 A. CNX Gas.

13 Q. What do you do for them?

14 A. I'm director of engineering.

15 Q. What's your educational background?

16 A. I got a engineering degree from West Virginia University in

17 Petroleum Engineering.

18 Q. Do you spend a lot of time looking at the reservoir

19 engineering issues?

20 A. Yes.

21 Q. We're going to hear from you later on one of the

22 applications, I think.

23 A. Yeah.

24

25

1 Q. Okay. You've been sitting here listening, I assume, paying
2 some attention to what has been going on. Is that...or were you---?

3 A. No, I was listening.

4 Q. Okay, okay. The chairman is interested in getting some
5 handle on anticipated production from this sealed gob area. Can you give him
6 some---?

7 A. Yeah. Yeah, actually, we've taken a look at this particular
8 area. Listening to the discussion, Mr. Wampler, to clarify for Les' behalf, a lot of
9 times we talk about production and reserves. Production is a hard...hard number,
10 you know, right off the bat. But when you're referring to what we think the
11 recovering in reserves will be, which is referenced in previous documents, it's my
12 opinion that it will be slightly higher. I'm a little more optimistic on the low end. I
13 think we're going to be somewhere between 10 1/2 to 15 bcf of gas from this
14 particular area.

15 BENNY WAMPLER: Any questions of this witness?

16 (No audible response.)

17 BENNY WAMPLER: Thank you. The next item on the agenda is a
18 petition from CNX Gas Company, LLC for creation of horizontal drilling unit 022A
19 and 116, docket number VGOB-06-0321-1599. We'd ask the parties that wish to
20 address the Board in this matter to come forward at this time.

21 MARK SWARTZ: Mark Swartz and Les Arrington.

22 (Benny Wampler confers with Board members regarding lunch.)

23 BENNY WAMPLER: Okay. The record will show no others. You
24

1 may proceed.

2 MARK SWARTZ: Okay, Les Arrington and Mark Swartz again.

3

4 LESLIE K. ARRINGTON

5 DIRECT EXAMINATION

6 QUESTIONS BY MR. SWARTZ:

7 Q. Les, you need you state your name.

8 A. Leslie K. Arrington.

9 Q. Okay. This one is, again, a little different. We've
10 got...although, I think the Board has seen this before, this is a horizontal
11 application for a horizontal well, right?

12 A. It's number eight on the docket.

13 Q. Okay.

14 A. It should say 022.

15 Q. Right.

16 A. Okay.

17 Q. Okay.

18 A. Yes. This one is a little different.

19 Q. This one we're just creating the unit. We're not pooling it,
20 right?

21 A. That's correct.

22 Q. Or the units, I should say.

23 A. That's correct.

24

25

1 Q. And why don't we have to pool them?
2 A. It's in the units that we already have 100% interest leased
3 and we're already producing gas from
4 it---.
5 Q. Okay.
6 A. ---by allocated production.
7 Q. Okay. And these aren't so big that you can't pool them
8 under your lease?
9 A. That's correct.
10 Q. Okay. So, you can voluntarily pool---?
11 A. Right, we can.
12 Q. But what we need though is to create drilling units and the
13 simplest way to show the Board what we're asking for is to look at...normally, we
14 don't look at Exhibit A-1. But it's the map that gets attached to the notice that gets
15 mailed?
16 A. Yes, it is.
17 Q. That actually shows the two units that we're talking about
18 today?
19 A. Yes, it does.
20 Q. That we're talking about creating. Are they derived from
21 some other boundaries or units?
22 A. Just the Oakwood units and existing longwall panels in the
23 Beatrice Mine and in the VP1 mine.

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1 Q. Okay. The GHI, which one is that?

2 A. That's VP1.

3 Q. Okay. And then by process of elimination, the 023...22, 23
4 and 24 is which one?

5 A. Beatrice.

6 Q. Okay. And the...these horizontal wells, tell...tell the Board
7 how...how they get drilled.

8 A. These wells...these two horizontals are actually a first
9 attempt for us to drill from the surface down into the Pocahontas #11 seam. What
10 we are going to attempt to do is to drill on an angle down into the Pocahontas #11
11 seam and once we get to the 11 seam drill in the Pocahontas #11 seam out to an
12 existing gob hole that is within the VP1 or the Beatrice area that we are presently
13 producing gas from.

14 Q. So, basically, you're going to drill a hole from outside the
15 mine into the 11 seam and then deviate that hole into the mine so you can gather
16 it in the mine or is it going to be produced out of the hole?

17 A. It will be produced in that existing hole that we have.

18 Q. So, essentially, it will be produced out of the hole that you
19 intersect?

20 A. Yes.

21 Q. Okay.

22 A. The exhibit that Anita is handing out, it kind of gives a
23 schematic depiction of how we proposed to drill that well. From the surface, you'll
24

1 see it's kind of...we'll be drilling on a...I'll get it correct here in a minute. On a
2 curve in a couple of different directions until they reach the 11 seam. They'll
3 flatten out in the 11 seam and drill horizontally in the 11 seam until they intersect
4 that existing gob hole These two maps...

5 (Leslie K. Arrington confers with Anita Duty.)

6 A. These two maps show the location of the two wells. 022A
7 and...022A is the one in the Beatrice... location of the Beatrice hole and it's going
8 to intersect the 024 hole in the longwall panel.

9 BILL HARRIS: Excuse me. Could I ask---?

10 BENNY WAMPLER: Mr. Harris.

11 BILL HARRIS: ---just a question for clarification? The first handout-
12 --.

13 LESLIE K. ARRINGTON: Yes.

14 BILL HARRIS: ---are we drilling from right to left here?

15 LESLIE K. ARRINGTON: Yes, sir. You'll be starting up at the top
16 and you'll see kind of how the---.

17 BILL HARRIS: Where is says, "angle at collar"?

18 LESLIE K. ARRINGTON: Yes.

19 BILL HARRIS: And so we're drilling---?

20 LESLIE K. ARRINGTON: Like that.

21 BILL HARRIS: ---down? Okay.

22 LESLIE K. ARRINGTON: Yes, sir. Until we intercept the 11 seam, it
23 will be drilled in that manner on out to intercept that existing gob hole.

24

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1 BILL HARRIS: Now, are we starting...now, is that surface that's
2 actually there?
3 LESLIE K. ARRINGTON: Yes. Yes, sir.
4 BILL HARRIS: Okay.
5 MARK SWARTZ: Basically, if we look at the 022A, you're going to
6 be drilling from the green dot.
7 LESLIE K. ARRINGTON: Yes. And you'll see it's dash---.
8 BILL HARRIS: So, it's actually sort of...you have to turn it around.
9 MARK SWARTZ: To the black dot.
10 LESLIE K. ARRINGTON: Yes, sir.
11 BILL HARRIS: So, it would be better to turn it around to match this.
12 Okay, okay.
13 MARK SWARTZ: And would the same be true on the other map as
14 well?
15 LESLIE K. ARRINGTON: Yes, it will be. You'll be drilling---.
16 MARY QUILLEN: And the dashed line is the
17 angle---?
18 LESLIE K. ARRINGTON: Yes, ma'am. It is.
19 BENNY WAMPLER: For clarification...one other...one other thing
20 for clarification. You mentioned into the mine earlier. The---.
21 LESLIE K. ARRINGTON: Yeah, I understand. Okay.
22 BENNY WAMPLER: I'm just talking about when he was
23 questioned...I was just wanting to get a clarification. This is higher than---?
24

1 LESLIE K. ARRINGTON: Yes, sir.
2 BENNY WAMPLER: This P11 you're in is higher than the---?
3 MARK SWARTZ: The existing mine.
4 LESLIE K. ARRINGTON: Than the 3 seam.
5 BENNY WAMPLER: Than in the 3 seam?
6 LESLIE K. ARRINGTON: Yes, sir, substantially.
7 BENNY WAMPLER: Right.
8 MARK SWARTZ: But the existing well went down into the 3 seam?
9 LESLIE K. ARRINGTON: Yes, it's producing from the gob area---.
10 MARK SWARTZ: Right.
11 LESLIE K. ARRINGTON: ---of the 3 seam, yes.
12 BENNY WAMPLER: One gob well?
13 LESLIE K. ARRINGTON: Yes.
14 MARK SWARTZ: Right.

15
16 DIRECT EXAMINATION RESUMES

17 QUESTIONS BY MR. SWARTZ:

18 Q. Did you mail and publish with regard to this application?
19 A. Yes, we did. Yes, we mailed by certified mail on February
20 the 17th, 2006 and we published this March the 2nd, 2006 in the Bluefield Daily
21 Telegraph.
22 Q. And have you provided Mr. Wilson with proofs of
23 publication and proofs of mailing---?
24

1 A. Yes, we have.

2 Q. ---and certificates of mailing?

3 A. Yes, we have.

4 Q. Okay. Do you want to add anybody as a respondent today
5 or dismiss anybody?

6 A. No.

7 Q. You've described what your intentions are with regard to
8 these two drilling units?

9 A. Yes, we have.

10 Q. Okay. And do you feel that that's, in your opinion,
11 a...there's a reasonable opportunity that this will work and produce gas?

12 A. Yes, we are.

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

14 DONALD RATLIFF: Do you have the same one?

15 BENNY WAMPLER: We're trying to match up in the application to
16 what you're saying---.

17 LESLIE K. ARRINGTON: Okay.

18 BENNY WAMPLER: ---to the 117.

19 SHARON PIGEON: 117.

20 LESLIE K. ARRINGTON: Okay, the 117. You know, I see that we
21 did not...that would be this one. You'll see G17 on the top of the map. 117, of
22 course, would be the green dot.

23 BENNY WAMPLER: Right.

24

25

1 LESLIE K. ARRINGTON: And I failed to get the number on that.

2 BENNY WAMPLER: Okay.

3 SHARON PIGEON: But it is I17?

4 LESLIE K. ARRINGTON: Yes, ma'am.

5 BENNY WAMPLER: Does everybody understand what they're
6 trying to do here?

7 (No audible response.)

8 BENNY WAMPLER: And you've got them all under lease? This is
9 just creating---?

10 LESLIE K. ARRINGTON: Yes.

11 BENNY WAMPLER: ---the unit?

12 LESLIE K. ARRINGTON: Yes. They're under lease. Four have
13 been force pooled.

14 BENNY WAMPLER: Okay. I'm trying to think if that changes
15 anything. You're an attorney, does that change anything?

16 MARK SWARTZ: He's drilling a well. I think horizontal wells are
17 just, you know, normal wells. I mean, when we come in on our...I don't see it as a
18 pooling issue. I see it as a unit issue, the size of the unit.

19 BILL HARRIS: Well, but...well, but we're talking...we're involving
20 three units that we're---

21 LESLIE K. ARRINGTON: Okay. Good question. The good thing
22 about---

23 BILL HARRIS: Already in place.

24

--

1 LESLIE K. ARRINGTON: ---this...both of these is this G-17 was
2 already producing allocated production from those longwall panels and it has
3 already---

4 BILL HARRIS: That involve all three to begin with, okay.

5 LESLIE K. ARRINGTON: All three of those panels. It's already
6 allocated production is the good thing.

7 BILL HARRIS: Okay.

8 LESLIE K. ARRINGTON: And it's the same for 022. That's the
9 reason I chose these locations to start out with.

10 BENNY WAMPLER: Well, it may get tougher if you've got---

11 LESLIE K. ARRINGTON: It will. And that's... that's the reason I
12 chose these.

13 BENNY WAMPLER: It's the word to the wise.

14 LESLIE K. ARRINGTON: I accept---

15 BENNY WAMPLER: That satisfies me for now.

16 LESLIE K. ARRINGTON: 022 took me a long time.

17 BENNY WAMPLER: But that's kind of...that's kind of a heads up.

18 LESLIE K. ARRINGTON: Yeah. Oh, I know.

19 MARY QUILLEN: Both of these are in the same seam, right?

20 LESLIE K. ARRINGTON: Yes, ma'am.

21 BENNY WAMPLER: Okay. Other questions?

22 BILL HARRIS: Well, I do...I do have a...I guess this is sort of an
23 engineering...well, now, you needed to...let me tell you what I'm looking at first.

24

--

1 I'm looking at the 022---

2 LESLIE K. ARRINGTON: Yes, yes.

3 BILL HARRIS: ---and 024.

4 LESLIE K. ARRINGTON: Uh-huh.

5 BILL HARRIS: I'm just looking at the angle here. But, of course,
6 you needed to drill to the well that was already existing. Of course, I wonder...you
7 know, I'm wondering about this down here because I think I had a question earlier
8 about blocks that didn't have any mining evidence in the...but, obviously, you
9 need to drill to the well.

10 LESLIE K. ARRINGTON: Yes.

11 BILL HARRIS: Are you going to produce from the 024?

12 LESLIE K. ARRINGTON: Yes, sir.

13 BILL HARRIS: So, these are just to facilitate getting the gas that
14 you are assuming is in place, but I'm sure it's there, but that's in place on the
15 way?

16 LESLIE K. ARRINGTON: From the...in the 11 seam.

17 BENNY WAMPLER: Give me an exhibit number for these.

18

19 MARK SWARTZ: You're doing a great job. You just pick.

20 BENNY WAMPLER: AA. The 22A will be BB and the 117 will be
21 CC. Any other questions from members of the Board?

22 BILL HARRIS: Mr. Chairman, just one.

23 BENNY WAMPLER: Mr. Harris.

24

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1 BILL HARRIS: I think you've...you've drilled some horizontal wells
2 prior to this?

3 LESLIE K. ARRINGTON: We have in the other seams, yes.

4 BILL HARRIS: And what's your experience. I mean, can you give
5 us some sort of a summary of what you've been finding in terms of---?

6 LESLIE K. ARRINGTON: I prefer Mr. Toothman speak to that. He---
7 .

8 MARK SWARTZ: We don't...we don't usually have him. So, we're
9 going to take advantage of him---

10 LESLIE K. ARRINGTON: Yes.

11 MARK SWARTZ: ---while we've got him.

12 BILL HARRIS: I understand.

13 RICK TOOTHMAN: I'll do anything for a free sub sandwich.

14 (Laughs.)

15 BILL HARRIS: Oh, are other folks included in that deal?

16 SHARON PIGEON: No.

17 MARK SWARTZ: There's no harm in asking.

18 BENNY WAMPLER: He's been to Mark Swartz School of Training.

19 (Laughs.)

20 MARK SWARTZ: Did you catch the question?

21 RICK TOOTHMAN: No, I did not.

22 MARK SWARTZ: How have we been doing on our horizontal holes?
23 What could we expect here if this works?

24

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1 RICK TOOTHMAN: The...well, let me first say that production from
2 a horizontal hole, barring no complications, will vary by the amount of horizontal
3 that you drill. Therefore, by comparison, assuming everything else is equal, a
4 4,000 foot long horizontal will produce more gas than a 2,000 foot long horizontal.
5 So, I wanted to put that out there first because there will be a range based on
6 that. Our objective may be to drill 3,000 or 4,000 feet, whatever you see on these
7 applications. In reality, when it's all said and done, there may be things to prevent
8 us from doing that. That being said, we've drilled three wells to date with varying
9 lengths of horizontals. The first couple of wells are in the 80 to probably 150 mcf
10 a day range. The last well that we drilled is in the neighborhood of about 250 mcf
11 a day at the current rate.

12 BILL HARRIS: Now, the wells that you've drilled in the past, if I
13 remember, all had legs that went out---

14 RICK TOOTHMAN: That's---

15 BILL HARRIS: ---and these don't.

16 RICK TOOTHMAN: That's correct.

17 BILL HARRIS: Of course, the intent here is a little different I would
18 think.

19 RICK TOOTHMAN: And that's why I would expect these to...you
20 know, to produce...to produce less. I think, as it's presented, maybe a maximum
21 of about 3,000 feet. If I was going to...if I was going to just take a guess, I
22 would...I would certainly hope it would be somewhere between 75 and maybe a
23 150 mcf a day. But a 150 would probably be the high side.

24

--

1 BILL HARRIS: Is there a reason why you would not put legs on
2 these as you're drilling?

3 RICK TOOTHMAN: In this particular design, we are actually looking
4 to drill down dip. One of the...one of the...again, one of the production problems
5 is to address or deal with the water that's associated with the gas. If you have no
6 way of draining the water from the system, basically, you'll increase the back
7 pressure to a point to where you won't produce gas. So, with this particular
8 design, we're looking at utilizing some different equipment that we think will be
9 less expensive where we can make it economic, at lower rates, but to drill down
10 dip and find a means for that water to drain out at the low end of the system so it
11 will continue to stay open.

12 BILL HARRIS: Thank you. Thank you.

13 BENNY WAMPLER: Any other questions?

14 (No audible response.)

15 BENNY WAMPLER: Do you have anything further?

16 MARK SWARTZ: No.

17 BENNY WAMPLER: Is there a motion?

18 DONALD RATLIFF: I move to approve, Mr. Chairman?

19 JAMES McINTRYE: Second.

20 BENNY WAMPLER: Motion to approve and a second. Any further
21 discussion?

22 (No audible response.)

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

24

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1 (All Board members signify by saying yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval. The next item on the
5 agenda is a petition from CNX Gas Company, LLC for creation of a longhole unit
6 3, docket number VGOB-06-0321-1600. We'd ask the parties that wish to
7 address the Board in this matter to come forward at this time.

8 MARK SWARTZ: Mark Swartz, Les Arrington and possibly Rick
9 Toothman.

10 BENNY WAMPLER: Just state your name for the record.

11 KYLE P. ROBINSON: Kyle Robinson.

12 BENNY WAMPLER: You may proceed.

13

14 LESLIE K. ARRINGTON

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. SWARTZ:

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

18 A. Leslie K. Arrington.

19 Q. Who do you work for?

20 A. CNX Gas Company, LLC.

21 MARK SWARTZ: Mr. Chairman, I'd like to incorporate Les' prior
22 testimony with regard to the applicant, the operator, standard lease
23 terms...actually, we don't need that, and his employment.

24

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1 BENNY WAMPLER: That will be incorporated.

2 Q. Les, this is an application to do what?

3 A. Drill horizontal holes underground in the P3 seam, similar
4 to our horizontal leg drilling. We've been here before on this.

5 Q. Is this just to create a drilling unit or is it to pool as well?

6 A. Not to pool.

7 Q. Okay. So, basically, we're here to create a drilling unit,
8 which is depicted on the map in the application A-2. Is this the...is this the drilling
9 unit you're proposing to create?

10 A. That's the unit that we propose to drill the legs out into,
11 yes. We just passed that exhibit out.

12 Q. Okay. The...just tell the Board where...where is the drilling
13 that will occur? Where is it going to go?

14 A. The drilling will start out, as you can see, from the main
15 area of the Pocahontas #3 seam mine and they'll start out and drill out in between
16 the existing frac wells that we have there.

17 Q. Okay. So, basically, we've got mine... mining that has
18 occurred into the units because you've got...you've got some pillars here and
19 some entries, right?

20 A. Yes.

21 Q. And you're going to drill from that location in the mine out
22 into the unmined coal?

23 A. That's correct.

24

25

1 Q. There are a bunch of wells depicted in that out mining coal,
2 correct?

3 A. Yes, it is.

4 Q. And you're going to try and get your holes that you're
5 drilling from inside the mine out to space between those---?

6 A. Yes, we are.

7 Q. ---to intercept those?

8 A. We are.

9 Q. And the...and then where is the gas, when it comes out of
10 the holes that you're drilling in the mine, describe the piping and what happens to
11 it.

12 A. It will be piped out through the mine entries out to an
13 existing permitted either vent shaft location called...one of our VS8, 9 or 10 or
14 whatever it may be wells, and just put right into our production facilities.

15 Q. Okay. And this is...remind us what mine this is in again.

16 A. The Buchanan #1.

17 Q. Okay. And it's in...that a mine that's in the Pocahontas 3
18 seam as well?

19 A. Yes, it is.

20 BENNY WAMPLER: And why do you do that?

21 LESLIE K. ARRINGTON: To---.

22 BENNY WAMPLER: Why do you do the longhole?

23 LESLIE K. ARRINGTON: To remove the gas in front of the mining,
24
25

1 for degasification purposes.

2 BENNY WAMPLER: In all that area that's outlined in here is
3 anticipated to be mined?

4 LESLIE K. ARRINGTON: Yes, sir.

5 BENNY WAMPLER: Go ahead.

6 Q. Did...what did you do to notify people that we were going to
7 have a hearing today, Les?

8 A. Yes. We mailed by certified mail return receipt requested
9 on February the 17th, 2006. We published this in the Bluefield Daily Telegraph
10 on March the 1st, 2006.

11 Q. And have you filed proofs of publication and certificates
12 with regard to mailing with Mr. Wilson?

13 A. Yes, we have.

14 Q. Okay. Do you want to add anybody as a respondent or
15 dismiss anybody today?

16 A. No.

17 Q. Okay. Have you included in the list of respondents people
18 that you have leases from?

19 A. Yes, we have.

20 Q. Okay. And, again, why would that be?

21 A. Because our leases didn't anticipate any of this type of
22 drilling---

23 Q. Okay.

24

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1 A. ---for units.

2 Q. Okay. What's the size of this unit?

3 A. 1840 acres.

4 Q. And this proposed unit is in what field rules?

5 A. Oakwood.

6 Q. And have you tried to use essentially Oakwood units to

7 size this?

8 A. Yes, we have.

9 Q. Okay. And, in fact, it follows the boundaries of the

10 Oakwood rules?

11 A. It does.

12 Q. How many...how many units are in there?

13 A. 23.

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

15 BENNY WAMPLER: Questions from members of the Board?

16 (No audible response.)

17 BENNY WAMPLER: Mr. Robinson.

18 KYLE P. ROBINSON: Well, I've got some questions on P-40. I'm

19 getting some methane gas from two wells on P-40. Okay, will I continue to get the

20 gas from those two wells?

21 LESLIE K. ARRINGTON: For as long as they're producing,

22 yes...you will unless we either have to plug them for mine...mine through...you

23 know, for some mining reason that we have to plug them.

24

--

1 BENNY WAMPLER: Ask his question a little bit differently, anything
2 you're proposing here interfere with that...these existing wells?

3 LESLIE K. ARRINGTON: No, sir, it will not. What...not what's on
4 this proposal, that is correct.

5 KYLE P. ROBINSON: Well, I don't understand what you're
6 trying...are you trying to do...drill at the coal level?

7 LESLIE K. ARRINGTON: Yes. Yes.

8 KYLE P. ROBINSON: At the head of your mine?

9 LESLIE K. ARRINGTON: In coordination with the mining, yes.

10 KYLE P. ROBINSON: All right. Where...what are you going to do
11 with that gas...methane gas there?

12 LESLIE K. ARRINGTON: That gas will also be...it will be paid
13 according to the 80 acre unit that it comes out of. So---

14 BENNY WAMPLER: Explain to him and to the Board how...just---

15 KYLE P. ROBINSON: How are you going to meter it?

16 BENNY WAMPLER: ---as graphically as you how...how that
17 you...let me...let me get him to answer this and then we'll ask him about how he's
18 going to meter it. But the...explain how you're going to conduct that drilling.

19 LESLIE K. ARRINGTON: Okay.

20 BENNY WAMPLER: How this works.

21 LESLIE K. ARRINGTON: The drilling will be conducted
22 underground and drilled out into those...in between the existing frac wells. Then
23 we'll pay the production according to the percentage of that horizontal leg that's

24

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1 within that 80 acre unit. Is that---?

2 BILL HARRIS: Does that mean that...Mr. Chairman. Does that
3 mean that he might get two royalty checks then? I mean, it would still be one
4 check. But would he...would... potentially would he increase the royalty that he's
5 getting because he has acreage in that unit?

6 LESLIE K. ARRINGTON: He could. It could increase...if we drill
7 some of the leg that would be within the unit that he's within, yes.

8 BILL HARRIS: So, he would get from his...now, does that...and
9 you're saying that won't affect the...or shouldn't affect the wells that are already in
10 place---?

11 LESLIE K. ARRINGTON: It should not.

12 BILL HARRIS: ---in terms of production?

13 MARK SWARTZ: Mining ultimately will have an affect. But these
14 horizontal wells will not.

15 BENNY WAMPLER: He asked a question how you would meter
16 that. What you said was, you would meter the particularly pipe and then you
17 would...you would distribute that based on the percentage of length within the
18 unit?

19 LESLIE K. ARRINGTON: Yes, sir.

20 BENNY WAMPLER: Is that correct?

21 LESLIE K. ARRINGTON: That's correct. That's what we will do.

22 KYLE P. ROBINSON: Well, I have another question. I don't know if
23 it pertains to this or not. On the well unit number 40...400, why...why did they lay

24

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1 a new line?

2 LESLIE K. ARRINGTON: If you're...are you speaking to the line that
3 came by your house?

4 KYLE P. ROBINSON: No, it's right above my house. They've added
5 another line.

6 LESLIE K. ARRINGTON: Up there near the vent shaft?

7 KYLE P. ROBINSON: Yeah.

8 LESLIE K. ARRINGTON: I believe we have permitted that vent shaft
9 now as...I can't remember the number, you'll have to forgive me, I think it's vent
10 shaft 10, I believe, to start producing gas there and that's what that line was for.

11 KYLE P. ROBINSON: But it comes from well number 400.

12 LESLIE K. ARRINGTON: Well, there's a compressor there and
13 we've just changed our compression around. It won't affect your royalty any. It
14 won't affect you in any at all because those wells are metered individually. So,
15 that meter...that meter won't change. That production will still stay...whatever it is
16 coming out of that well, it will stay the same.

17 KYLE P. ROBINSON: You're saying that that new line that you laid
18 it won't have no affect on my well...on this well 400.

19 LESLIE K. ARRINGTON: No, sir. Whatever is metered through that
20 well is metered through that well. I doesn't change...those pipelines don't change
21 that any.

22 KYLE P. ROBINSON: I just couldn't understand why you would lay
23 another line.

24

--

1 LESLIE K. ARRINGTON: We lay new lines all over everyday where
2 we have existing lines.

3 KYLE P. ROBINSON: Well, let me ask you another question, will
4 there be more wells drilled in this unit 40?

5 LESLIE K. ARRINGTON: P-40---

6 KYLE P. ROBINSON: Because, I mean, you're close to it. You've
7 got the air shafts that's on it.

8 LESLIE K. ARRINGTON: Yes, sir, you're correct. And I don't...as
9 you can see, I did not project the mine plan on this map. I can't answer that
10 without a projected mine plan.

11 KYLE P. ROBINSON: That's all I have.

12 BENNY WAMPLER: Okay. Other questions from members of the
13 Board?

14 (No audible response.)

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

16 MARK SWARTZ: No.

17 BENNY WAMPLER: Is there a motion?

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

19 JAMES McINTRYE: Second.

20 BENNY WAMPLER: Motion to approve and a second. Any further
21 discussion?

22 (No audible response.)

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

24

1 (All Board members signify by saying yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval.

5 KYLE P. ROBINSON: Thank you.

6 BENNY WAMPLER: Next is a petition from CNX Gas Company,
7 LLC for a modification of the Oakwood I Field Rules to allow for drilling of an
8 additional well in units as listed here. This is docket number VGOB-93-0216-
9 0325-05. We'd ask the parties that wish to address the Board in this matter to
10 come forward at this time.

11 MARK SWARTZ: Mark Swartz, Les Arrington and Rick Toothman.

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

14 MARK SWARTZ: While Anita hands out some of these exhibits,
15 Les, let me cover a couple of preliminary matters.

16

17 LESLIE K. ARRINGTON

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SWARTZ:

20 Q. You've got quite a list of folks here as respondents.

21 A. We did have, yes.

22 Q. Okay. What did you do to let them know that there was
23 going to be a hearing today?

24

25

1 A. We mailed by certified mail return receipt requested on
2 February the 7th, 2006 and published in the Bluefield Daily Telegraph on March
3 the 6th, 2006.

4 Q. And have you filed proofs of publication and your
5 certificates with regard to mailing with Mr. Wilson?

6 A. Yes, we have.

7 Q. Okay. Do you want to add anybody or dismiss anybody as
8 a respondent?

9 A. No.

10 Q. Okay. This is an application to modify the Oakwood I
11 Rules to essentially allow for additional infield drilling?

12 A. Yes, it is.

13 Q. Okay. And we've been here before on similar
14 applications?

15 A. Yes.

16 Q. And, basically, we are in an area just above the Middle
17 Ridge and the Oakwood Field and we're adding areas from time to time for
18 additional infield drilling, right?

19 A. That's correct.

20 Q. Looking at this, we can never seem to get our application
21 right in terms of the second well location. We want to continue what we've always
22 had over here and that is to the extent there's a second well, the order needs to
23 reflect that that second well drilled in the unit needs to be in the window---?
24

1 A. That's correct.

2 Q. ---regardless of what this says?

3 A. Yes.

4 Q. And one of these days we'll show up and our paperwork
5 will be right. It has been a struggle.

6 A. We'll finally get it.

7 Q. We're just going to see what we can do.

8 A. Uh-huh.

9 MARK SWARTZ: The...I'm just going to shift from the procedural
10 stuff to talk to Rick.

11

12 RICK TOOTHMAN

13 DIRECT EXAMINATION

14 QUESTIONS BY MR. SWARTZ:

15 Q. Rick, you're still under oath.

16 MARK SWARTZ: I'd like to incorporate his test... brief testimony
17 with regard to, you know, his employment and his education, if I could.

18 BENNY WAMPLER: You may.

19 Q. Have you prepared any additional or updated exhibit with
20 regard to the modifications that we're talking about today?

21 A. The map exhibit that's in front of me and hopefully the
22 Board members, yes,

23 Q. And that's the thing that has...that looks like this.

24

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1 BENNY WAMPLER: Which was AA.

2 MARK SWARTZ: AA. Okay, we're going to call AA.

3 Q. Could you cover the...the exhibit with the Board in terms of
4 how this program has been working and then where we're seeking to extend it
5 today?

6 A. Yes. It's a fairly busy graph. But what you actually see are
7 four different graphs on this map. Different areas within the Oakwood Field where
8 we have...keep in mind, had the right within the mineable area, which is the light
9 grey hatched area that's there, the existing and future mine. We placed some
10 wells on closer than 80 acre spacing once we received approval to do that from
11 mine degasification. Let me just concentrate on one graph. If you take a look at
12 the purple area infield study graph, you can see the original wells in that area,
13 production mcf per day from 22 wells peaked at around 2500 mcf per day for quite
14 sometime. Several years later, about three years later, we drilled 23 additional
15 infield wells down space that down to 40 acre spacing. What you saw was the
16 peak production of those wells was around 3500 mcf a day. If you notice on this
17 case, you also have got improved production from the initial wells in that area.
18 That's due to the fact that we are promoting interference. The unique
19 characteristics the way gas is held in coal, as you reduce the average pressure
20 within the reservoir you will produce more gas. So in the end effect, both of
21 those...combined wells are now producing at nearly 3,000 a day in that particular
22 area. If you take a look at the other ones, you can kind of glance down through,
23 you get very similar responses from that. Some are not quite that positive on the

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1 initial wells, but you certainly don't see any detrimental effects of bringing the
2 additional wells on.

3 BENNY WAMPLER: What do you anticipate out into the future?

4 RICK TOOTHMAN: As far as the production, what I...what I actually
5 think is from a given unit, and this based on models and on forecast, and it does
6 vary across the property and you heard early today that certainly operational
7 practices and permit reservoir things such as gas content and permeability will
8 create variations across the field. But I would expect that you'll get an improved
9 recovery by as much as 50% over that of a single well in an 80 unit. What we
10 think is, in this particular one that we're here before the Board---

11 MARK SWARTZ: It's the pink, right?

12 RICK TOOTHMAN: The pink area. ---the original wells in that area
13 forecasted to produce...again, this is a forecast, to produce ultimately around 520
14 mcf of gas per day. We think a second well in that unit will produce anywhere
15 from 50 to 80% of that initial gas. So, 250 to 400 mcf of additional gas from that
16 second well.

17 BENNY WAMPLER: Any spacing criteria that's important that you
18 found between the two wells?

19 RICK TOOTHMAN: Well, we...obviously, we try to...we try to
20 optimize that. We weren't blessed with flat terrain. That is certainly one of the
21 issues. But we do our best to...you know, to reduce the distance or maximize the
22 distance between the wells. We do have the drilling window limitations as well
23 and then sometimes property ownership. But I can't...I can't say that we've

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1 studied it on an individual case to draw any conclusions.

2 BILL HARRIS: Mr. Chairman.

3 BENNY WAMPLER: Mr. Harris.

4 BILL HARRIS: I guess sort of a followup, you just made a comment
5 earlier...but you made a comment earlier, something about 40 acres. I guess,
6 you're thinking two wells in an 80 acre unit. Do you think in the future there might
7 be a proposal to move to that or to change field rules to---?

8 RICK TOOTHMAN: Well, the reason really that we're doing what
9 we're doing is it was easier. The 80 acre field rules were set up in essence...in
10 essence, our goal is two drill two wells in every unit that we're allowed to do that
11 because we...we certainly feel and have seen the benefit of doing that from a gas
12 recovery. I feel like the owners of the gas or royalty owners are certainly going to
13 benefit from it as well and the majority of the investment, the infrastructure
14 whether it's pipelines, roads, power lines, they're all in place. So, to drill the
15 additional well in a unit is minimal the second go around because everything is
16 there. So, to me it's a win/win. Quiet frankly, I'd like to see us unanimously just
17 modify th Oakwood Field Rules to a second well in all 80 acre units.

18 BILL HARRIS: Yeah, that's what I was wondering if you were going
19 to---.

20 RICK TOOTHMAN: Yeah.

21 BILL HARRIS: ---get there.

22 RICK TOOTHMAN: I'll pick up lunch if we do that today.

23 (Laughs.)

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1 RICK TOOTHMAN: Yeah, there have been other issues. But that's
2 certainly our goal. We have...all of the data continues to support the fact that we
3 should infield these units.

4 BILL HARRIS: A second well. Thank you.

5 BENNY WAMPLER: Go ahead, Mr. Swartz.

6 MARK SWARTZ: That's actually all I have.

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

8 MARY QUILLEN: Mr. Chairman, just a comment. It looks like
9 these...the four graphs that you have displayed here, it looks like that there has
10 been considerable increase in production with the infields in each of those. Do
11 you find that to be the case in...or was this just ones that were pooled out that this
12 occurred or is this---?

13 RICK TOOTHMAN: No, ma'am, these---.

14 MARY QUILLEN: ---kind of across the Board?

15 RICK TOOTHMAN: This is across the Board. This...this was
16 representative of the wells that we've basically have come to the Board earlier.
17 Let me...let me comment for those that may not know that, the dark grey hatched
18 areas are other units that we've already come before the Board and got
19 exemptions to allow us to drill a second well in the unit. We have updated these
20 graphs, which were previously presented to the Board, based on that production.
21 Quite frankly, like I said, with coaled methane, that's what makes it unique from
22 conventional reservoirs is the bulk of the gas is stored at very low pressures. So,
23 you actually want interference from well to well to draw the average reservoir

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1 pressure down, which releases more gas. So, no, this is...this is not unique. It's
2 something that we would expect to get across the Board. You will get variations
3 as far as how much in each particular area. But the effect we would think would
4 be certainly the same.

5 MARY QUILLEN: So, it's pretty consistent?

6 RICK TOOTHMAN: Yes.

7 MARK SWARTZ: I mean, there is one...I mean, this AV-114 area
8 infield study there is one example where it didn't really drag the existing
9 production along with the way you would...do you have any explanations for why
10 that---?

11 RICK TOOTHMAN: At this...at this point, Mark, no, but, you know, I
12 will tell you that are, again, some other considerations operational or what that
13 could be playing into, you know, some of these...if you notice, even the infield
14 wells are declining, you know, at the same rate as the original wells at this point.

15 MARK SWARTZ: Right.

16 RICK TOOTHMAN: That's not to say that there's not some other
17 pressure or other issues going on and both those will stabilize or flatten on. I
18 can't answer that though.

19 BILL HARRIS: But in that same regard and relayed to that question,
20 but now you have two wells...I mean, the total production is up---.

21 RICK TOOTHMAN: Absolutely.

22 BILL HARRIS: ---of you look at total production even though they
23 both may be decreasing. Now, would you have...let's take that AV-14 one again.

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1 If you had not gone online with the second one, you would...you would still
2 produce the greenish, grey line, I guess, would slowly decrease, I guess, over
3 time. I mean, you're getting the gas quicker in a sense.

4 RICK TOOTHMAN: Yes. You will get two things. You...you will
5 definitely get accelerated production by drilling a second well in there. In my
6 opinion, you will get incremental production. Just keep in mind, you've essentially
7 got two straws in the Coke so to speak, you know. So, if you're pulling from two---
8 .

9 BILL HARRIS: So, there's a...so, there's a---

10 RICK TOOTHMAN: ---places, but you're also more uniformly
11 drawing the pressure down from that reservoir. A way to, I guess, as an analogy,
12 if you throw a rock in a pond, you get a ripple effect that goes out from that.
13 That's essentially the same thing that happens with pressure from that well so that
14 most of the gas is going to be pooled from very close to that well bore out to a
15 lesser extent as you get away. When you drill that second well---

16 (Rick Toothman's phone rings.)

17 RICK TOOTHMAN: Excuse me. That thing is going to beep for a
18 minute. When you drill that second well, then you're going to promote another
19 ripple effect there and draw the average pressure down, which is going to
20 promote the gas. So, you'll get both. Ultimately, your reservoir pressure will be
21 lower at the abandonment point, which means that you've improved the amount of
22 gas that you recovered, but because you've got two wells in there, you've also
23 accelerated the recovery of that.

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1 BILL HARRIS: Yeah. The longevity...the expected longevity is
2 going to be shortened though, is that correct?

3 RICK TOOTHMAN: Yes. I would certainly think...of course, we're
4 dealing in 65 year reserves even as we speak.

5 BILL HARRIS: Oh.

6 RICK TOOTHMAN: So, it's still very long life type of reserves. But,
7 yes, it still will be short.

8 BILL HARRIS: Well, yeah.

9 BENNY WAMPLER: Is there any advantage, like if you...if you...I
10 know you'd like to see 40 acre spacing, but if you had kept the 80 acre spacing, is
11 there any advantage to having the first well produced for an amount of time before
12 the second well is actually drilled?

13 RICK TOOTHMAN: No, I don't believe so. The only advantage that
14 we see is...internally is that the first well is kind of burdened with all of the costs of
15 the infrastructure. The second well, you know, to some extent there may be some
16 slight reductions in costs for the second well that's in there because you've got,
17 again, the infrastructure is in place and generally speaking from a present value
18 standpoint, we can move that gas a little quicker because we can tap into that
19 infrastructure very quickly. The first well may average three or four months to tie
20 in to get...get everything we need to produce a well and once it's there, you know,
21 we drill a second well there, you know, possibly we can...we can get the gas
22 moving in a month.

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

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1 BOB WILSON: Mr. Chairman.

2 BENNY WAMPLER: Mr. Wilson.

3 BOB WILSON: Mr. Swartz pointed out one correction from the
4 application that being that all the wells drilled under these orders must be within
5 the drilling window in each 80 acre unit. The order also specified...has specified
6 in the past that wells must be a minimum of 600 feet apart. I presume that we
7 wish to continue that with this order.

8 MARK SWARTZ: We really would rather get rid of that, but I
9 understand...you know, the Board really agonized with those rules. I mean, that's
10 what we were told we had to. So, I'm not quarreling with that. But, you know, I
11 think, you know, once we demonstrate that we drill a lot of second wells and drill
12 up the area, I think the concern that the Board has about keeping this in a drilling
13 window on the second well about the 600 feet, maybe that...your less... maybe
14 you would be less concerned. But, you know, we had all the extended discussion
15 about that. That was your decision. We're not back here quarreling with that.

16 BOB WILSON: I wasn't advocating it. I was just wanted to make
17 sure that we know what to put in the final order.

18 BENNY WAMPLER: I think, we need to keep it until such time as
19 it's presented to the Board with technical data as to why it should be different.

20 MARK SWARTZ: Well, you know, I don't think there's ever going to
21 be technical data. I mean, what I think the best...if you look at the orange dots
22 there, I mean, look at how many of those second wells we drilled. I mean, you
23 know, when we come here and say, we're going to do this---.

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1 RICK TOOTHMAN: Yeah, well, this---

2 MARK SWARTZ: ---you know, I think we've...we've demonstrated it,
3 you know. This company will step up to the plate and do it. It's really...it's kind of
4 a trust me. You know, I mean, field rules makes since if people drill up the field,
5 you know, and infield drilling makes sense if people drill up the field. So, you
6 know, if that happens, then everybody looks good. If it...you know, you're trying to
7 guard against the what if it doesn't happen. We're in here saying, you know,
8 we're serious about this. I think at some point, you know, maybe, you know, we're
9 more credible at some point because we've done this for a long time and we can
10 come back, I mean.

11 BENNY WAMPLER: Well, I think at some point what you do is
12 probably come back for 40 acre spacing in particular areas.

13 BILL HARRIS: The only thing---

14 MARK SWARTZ: The problem is the existing wells.

15 RICK TOOTHMAN: Well, I was going to say, with the existing wells,
16 to be quite honest with you, there's---

17 BENNY WAMPLER: Well, yeah, where you have the existing ones.
18 But I'm talking for the area where you haven't drilled.

19 RICK TOOTHMAN: Yeah, there's not many of those unit...areas left
20 is the only point. I mean, you'd end up with a few 40s back around a bunch of
21 80s. That's why it just doesn't seem to be feasible.

22 BENNY WAMPLER: Yeah. Okay. All right.

23 BILL HARRIS: You know, because---

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1 MARK SWARTZ: No. I mean, we thought about that too, but the
2 existing wells just crushed that. It gets too complicated.

3 BENNY WAMPLER: Okay.

4 BILL HARRIS: Yeah. I would think if you overlaid a grid...I'm not
5 sure how you would arrange a grid of 40 acres, although I thought, well, maybe
6 that might be the way to do it. But that might even be more restrictive---

7 BENNY WAMPLER: Yeah, that would be.

8 BILL HARRIS: ---in terms of positioning the well.

9 RICK TOOTHMAN: Yes, that's---

10 BILL HARRIS: It might be easier to keep the 80 and look for
11 exceptions if necessary or what not.

12 MARK SWARTZ: But it's...it's a...you know, it's a good question you
13 raised, you know, Mr. Wilson. It's...you know, we may be back here at some
14 point. But, I mean, you know, we...we struggled with that. You guys came to a
15 decision that we're prepared to at least continue it...you know, that we have to live
16 with, but we're prepared to continue to live with it for at least a while before we
17 come back. We might be back.

18 BENNY WAMPLER: Any other questions or comments?

19 (No audible response.)

20 BENNY WAMPLER: Is there a motion?

21 BILL HARRIS: Motion for approval.

22 JAMES McINTRYE: Second.

23 BENNY WAMPLER: Second. Any further discussion?

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1 (No audible response.)
2 BENNY WAMPLER: All in favor, signify by saying yes.
3 (All Board members signify by saying yes.)
4 BENNY WAMPLER: Opposed, say no.
5 (No audible response.)
6 BENNY WAMPLER: You have approval. Thank you.
7 MARK SWARTZ: Thank you all.
8 BENNY WAMPLER: We really appreciate you all complicating our
9 lives a little.
10 (Laughs.)
11 MARK SWARTZ: We try to do our best.
12 BENNY WAMPLER: Do you need a break?
13 (No audible response.)
14 BENNY WAMPLER: Five minute break.
15 (Break.)
16 BENNY WAMPLER: Okay. We'll go back on record. The next item
17 was docket number VGOB-06-0321-1601. We'd ask the parties that wish to
18 address the Board in this matter to come forward at this time.
19 TIM SCOTT: Tim Scott and Flavious Smith for EOG Resources.
20 BENNY WAMPLER: The record will show no others. You may
21 proceed.
22 TIM SCOTT: Mr. Smith needs to be sworn.
23 (Flavious Smith is duly sworn.)
24

1 TIM SCOTT: One little matter, I passed out an exhibit, a revised
2 Exhibit A, and what we had...my office had failed to do is to list on that exhibit
3 number 3...Tract Number 3. So, that's the only change. It's up in the...it should
4 be up in the upper right corner. There was no tract designation on that one. So,
5 that's the only...only change on that...that exhibit. Okay?

6 SHARON PIGEON: On your original, is that what you're telling us?

7 TIM SCOTT: The original did not have that tract on there.

8 BENNY WAMPLER: It didn't identify it.

9 TIM SCOTT: Yes, sir.

10 BENNY WAMPLER: Okay.

11 TIM SCOTT: And I needed it as much as the Board does. So, I've
12 got to have those numbers. Okay. Mr. Smith has not testified before the Board
13 before. I had failed to include his resume. But I will get that to the Board
14 members. Just as soon as I get back to my office, I'll get it over to Bob for
15 distribution to the Board members.

16

17 FLAVIOUS SMITH, JR.

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

19 DIRECT EXAMINATION

20 QUESTIONS BY MR. SCOTT:

21 Q. Would you state your name, Mr. Smith?

22 A. Flavious Smith, Jr.

23 Q. And by whom are you employed?

24

25

1 A. EOG Resources, Inc.

2 Q. Could you give us a little insideness to your educational
3 and work history...educational background and work history?

4 A. I have a B.S. and M.S. from Vanderbilt University and a
5 law degree from Oklahoma City University and I have been active in oil and gas
6 land work for twenty-five years.

7 Q. And what areas...where have you worked?

8 A. Almost...well, all the basins in the U.S., the Rockies to the
9 mid-continent, the gulf coast, the Appalachian basins.

10 Q. What's your job description with EOG?

11 A. I'm a land specialist.

12 Q. And what do you do?

13 A. I handle all the land function for all of Virginia and New
14 York and other as assigned.

15 Q. Okay. And that would include the...this unit that's before
16 the Board---

17 A. Yes.

18 Q. ---in this application? And are you familiar with the unit or
19 this application now pending before the Board?

20 A. Yes.

21 Q. Is this unit located in the Pilgrim's Knob Gas Field?

22 A. This unit PK-L-26 and, yes, it is in the Pilgrim Knob Field.

23 Q. And how many acres does this unit contain?

24

1 A. 180.

2 Q. And how...does EOG have drilling rights in this unit?

3 A. Yes, we do.

4 Q. Are there any respondents listed on Exhibit B-3 who
5 should be dismissed from the application?

6 A. No.

7 Q. Have you attempted to reach a voluntary agreement with
8 the parties listed on Exhibit B-3?

9 A. Yes.

10 Q. Okay. What efforts have you made?

11 A. We've sent certified offer letters to all of them, return
12 receipt requested and followed up actually with telephone calls as well.

13 Q. To each of the respondents?

14 A. Right.

15 Q. Okay. What percentage of the unit does EOG have under
16 lease?

17 A. 98.68%.

18 Q. Now, the Virginia Code requires notice be provided to
19 parties respondent. How was that affected for this application?

20 A. By certified mail.

21 Q. What other means?

22 A. There was a notice of the hearing published in the
23 Bluefield Daily Telegraph.

24

1 Q. And when was that notice published?
2 A. February the 24th of '06.
3 Q. Okay. Have you filed proofs of publication and certified
4 mailings with regard to the notice with the Board?
5 A. Yes.
6 Q. Okay. Is EOG authorized to conduct business in the
7 Commonwealth?
8 A. Yes, we are.
9 Q. And has EOG registered with the Department of Mines,
10 Minerals and Energy and does it have a blanket bond on file?
11 A. Yes.
12 Q. If you were to reach a voluntary agreement with the parties
13 respondent listed on Exhibit B-3, what would the terms of that agreement be?
14 A. Lease terms would be a five year term with a cash bonus
15 of five dollars per acre plus a eight...one-eighth of eight-eighths royalty.
16 Q. Okay. Do you consider that to be fair market value for
17 lease rights in this area?
18 A. Yes, it is.
19 Q. What percentage of the oil and gas estate is EOG seeking
20 to pool?
21 A. 1.32%.
22 Q. Is there an escrow agreement...requirement for this unit?
23 A. No, there isn't.

24

25

1 Q. Are you requesting the Board to pool the unleased interest
2 of the parties listed on Exhibit B-3?

3 A. Yes.

4 Q. Are you also requesting that EOG be named as operator
5 for this unit?

6 A. Yes, we are.

7 Q. And any elections that are made by parties respondent,
8 what should be the address that should be used?

9 A. It should be EOG Resources, Inc, Southpoint Plaza One,
10 400 Southpoint Boulevard, Ste. 300, Cannonsburg, Pennsylvania 15317,
11 Attention: Flavious Smith.

12 Q. Okay. Should this be the address for all communications
13 regarding the order?

14 A. Yes, it should.

15 Q. Are you familiar with the total depth of this proposed well?

16 A. Yes. It's 5,750 feet.

17 Q. And you're seeking to pool all formations between the
18 surface and the target depth with the exclusion of coal, is that correct?

19 A. That's correct.

20 Q. What's...what are the estimated reserves for this particular
21 unit?

22 A. 300 million cubic feet.

23 Q. Are you also familiar with the well costs for this well?
24
25

1 A. Yes, I am.

2 Q. What's the estimated dry hole costs?

3 A. \$234,500.

4 Q. And the estimated completed costs?

5 A. \$401,000.

6 Q. Have...was a signed AFE provided with the application to

7 the Board?

8 A. Yes, it was.

9 Q. Does the AFE also include a reasonable charge for

10 supervision?

11 A. Yes, it does.

12 Q. And, in your opinion, would the granting of this application

13 be in the best interest of conservation, the prevention of waste and protection of

14 correlative rights?

15 A. Yes, it would.

16 TIM SCOTT: Those are all the questions I have for Mr. Smith.

17 BENNY WAMPLER: Questions from members of the Board?

18 DONALD RATLIFF: Mr. Chairman. Does this...I can't find a permit

19 number.

20 BENNY WAMPLER: Mr. Ratliff.

21 DONALD RATLIFF: Do you have a permit number?

22 TIM SCOTT: Has this one been permitted at this point?

23 FLAVIOUS SMITH: Yes, it has. I don't have---

24

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1 TIM SCOTT: Okay.

2 FLAVIOUS SMITH: ---the permit number with me. I may have it.
3 Let me...let me get my file real quick and see.

4 (Flavious Smith reviews his file.)

5 TIM SCOTT: I believe this permit was issued last year.

6 FLAVIOUS SMITH: I think it was too. I don't...I don't have that
7 permit number with me.

8 BENNY WAMPLER: According to Mr. Wilson's information, it was
9 issued on August the 18th of '05, but they don't have the number.

10 DONALD RATLIFF: But it is permitted?

11 BENNY WAMPLER: It is permitted. Other questions from members
12 of the Board?

13 (No audible response.)

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

15 TIM SCOTT: No, sir.

16 BENNY WAMPLER: Is there a motion?

17 JAMES McINTRYE: Motion to approve.

18 PEGGY BARBAR: Second.

19 BENNY WAMPLER: And second. Any further discussion?

20 (No audible response.)

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

22 (All Board members signify by saying yes.)

23 BENNY WAMPLER: Opposed, say no.

24

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1 (No audible response.)

2 BENNY WAMPLER: You have approval. Thank you. The next item
3 on the agenda is a petition from EOG Resources, Inc. for pooling of conventional
4 unit PK N-25, docket number VGOB-06-0321-1602. We'd ask the parties that
5 wish to address the Board in this matter to come forward at this time.

6 TIM SCOTT: Tim Scott and Flavious Smith for EOG Resources.

7 (Tim Scott passes out exhibits.)

8 TIM SCOTT: There's a long story behind this one. So...I'd ask that
9 Mr. Smith's job description and work history be incorporated by referencing his
10 testimony.

11 BENNY WAMPLER: It will be incorporated.

12 TIM SCOTT: Okay.

13

14 FLAVIOUS SMITH

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. SCOTT:

17 Q. Mr. Smith, are you familiar with the application for Plum
18 Creek 18-06? Is that the one we're on?

19 BENNY WAMPLER: N-25.

20 TIM SCOTT: Oh, I'm sorry. Which one did I just give you all, 18?

21 BENNY WAMPLER: 18.

22 TIM SCOTT: That's for next time. I'm sorry.

23 FLAVIOUS SMITH: That's the longer story next time.

24

25

1 TIM SCOTT: That's the long story.

2 FLAVIOUS SMITH: This is the short story, the one we're on.

3 TIM SCOTT: I'm sorry.

4 BENNY WAMPLER: We're on 19-06.

5 TIM SCOTT: I apologize. I got my piles out of order here.

6 Q. Are you familiar with the application for 19-06?

7 A. Yes, I am.

8 Q. And is this unit also located in the Pilgrim's Knob Gas
9 Field?

10 A. Yes, it's unit PK-N-25.

11 Q. Does it also contain 180 acres?

12 A. Yes, it does.

13 Q. And does EOG own drilling rights in this unit?

14 A. Yes, we do.

15 Q. Are there any parties respondent listed on Exhibit B that
16 should be dismissed from this application?

17 A. No, all the parties are actually leased to EOG. This force
18 pooling is to allow for unitilization because the underlying lease agreements do
19 permit pooling.

20 Q. So, we're going to take all of these Big Vein and Plum
21 Creek wells and create a unit out of them because there is no voluntary pooling---
22 ?

23 A. Right.

24

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1 Q. ---in...in these leases?
2 A. Right.
3 Q. And that would...I assume then that EOG has 100% of the
4 unit under lease?
5 A. Yes, we do have a 100% under lease.
6 Q. Was notice of the hearing provided to the respondents
7 listed on Exhibit B-3?
8 A. Yes, by certified mail.
9 Q. And by whatever means?
10 A. By publication in the Bluefield Daily Telegraph on February
11 the 24th of'06.
12 Q. Okay. Are there any unknown owners in this unit?
13 A. No, they're not.
14 Q. Have you filed the proofs of publication and mailing
15 certifications with Mr. Wilson?
16 A. Yes.
17 Q. Okay. And, again, I'm going to ask you if EOG is
18 authorized to conduct business in the Commonwealth?
19 A. Yes, we are.
20 Q. And does it have a blanket bond on file?
21 A. Yes, we do.
22 Q. What percentage of the oil and gas estate is EOG seeking
23 to pool in this?
24

1 A. A 100%.

2 Q. Is there an escrow requirement?

3 A. No, there is no escrow requirement.

4 Q. Are you asking that EOG be named operator for this unit?

5 A. Yes, we are.

6 Q. And the address should be what for notification?

7 A. EOG Resources, Inc., Southpoint Plaza One, 400

8 Southpoint Boulevard, Ste. 300, Cannonsburg, Pennsylvania 15317, Attention:

9 Flavious Smith.

10 Q. Are you familiar with the total depth of this well?

11 A. Yes. The depth is 5,580 feet.

12 Q. And are you, again, asking that all the formations be

13 pooled between the surface and the target depth with the exclusion of coal?

14 A. Yes.

15 Q. What are the estimated reserves for this particular unit?

16 A. 300 million cubic feet.

17 Q. And what is the estimated dry hole costs for this unit?

18 A. \$234,500.

19 Q. And the completed costs?

20 A. \$393,000.

21 Q. And have...was as AFE that was signed, has it been

22 submitted with the application?

23 A. Yes, it was.

24

1 Q. And does that AFE also include a reasonable charge for
2 supervision?

3 A. Yes, it does.

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

7 A. Yes, it would.

8 TIM SCOTT: That's all the questions I have for Mr. Smith.

9 BENNY WAMPLER: Questions from members of the Board?

10 (No audible response.)

11 BENNY WAMPLER: If you have everything under lease, but you
12 don't have---?

13 TIM SCOTT: There's no pooling provisions in those leases, which is
14 not unusual for a large landowner. It's going to be a little odd, Mr. Chairman, with
15 regard to the...to the order since they're under lease they've already leased their
16 interest, so there's no elections to be made.

17 BENNY WAMPLER: That's what I was trying to sort out in my mind.

18 TIM SCOTT: Yes, sir.

19 BENNY WAMPLER: But yet they haven't agreed to this. So, how
20 do they get to make an election?

21 TIM SCOTT: We're just pooling in the unit without...without
22 elections since they've already leased
23 to---.

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1 FLAVIOUS SMITH: There would be...there would be no election
2 because they...their election is that they're lessees and they...lessors and they
3 have a one-eighth royalty under the terms of the lease. What we're having to
4 accomplish here is because it is in the unit...because it is in the Pilgrim's Knob
5 Field and the spacing units are designated, then the lease...the lease lines
6 overlap. So to drill a legal well, you have to pool those pieces into a legal unit.
7 So, each person in the unit will still get their eighth royalty proportionally reduced
8 to the unit. But they won't have the election to participate because they don't
9 have that right because they have... they have given that right to us.

10 TIM SCOTT: They've already entered into a voluntary agreement.

11 FLAVIOUS SMITH: Right.

12 MARY QUILLEN: Mr. Chairman, I have one question.

13 BENNY WAMPLER: Ms. Quillen.

14 MARY QUILLEN: Is that included or written into the lease?

15 TIM SCOTT: It's excluded.

16 FLAVIOUS SMITH: It's not in...it's not in their lease period. There's
17 no pooling provision in the lease.

18 TIM SCOTT: No voluntary pooling.

19 MARY QUILLEN: But the amount that they are entitled to---?

20 FLAVIOUS SMITH: They...yes, ma'am. It's a...each lease is a one-
21 eighth royalty lease. So, each party has the same...each party has the same
22 interest, yes.

23 MARY QUILLEN: Right. And that's stipulated in the lease?
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25

1 FLAVIOUS SMITH: Yes, ma'am.

2 MARY QUILLEN: Okay.

3 BENNY WAMPLER: Other questions from members of the Board?

4 (No audible response.)

5 BENNY WAMPLER: Do you have anything further?

6 (No audible response.)

7 TIM SCOTT: No, sir.

8 BENNY WAMPLER: Is there a motion?

9 JAMES McINTRYE: So moved.

10 BENNY WAMPLER: Motion for approval.

11 BILL HARRIS: Second.

12 BENNY WAMPLER: Second. Any further discussion?

13 (No audible response.)

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

15 (All Board members signify by saying yes.)

16 BENNY WAMPLER: Opposed, say no.

17 (No audible response.)

18 BENNY WAMPLER: You have approval. Now to the complex one.

19 TIM SCOTT: Yes.

20 BENNY WAMPLER: Next is a petition from EOG Resources, Inc. for

21 creation and pooling of conventional unit Plum Creek 18-06, docket number

22 VGOB-06-0321-1603. We'd ask the parties that wish to address the Board in this

23 matter to come forward at this time.

24

1 respondents and what efforts have you made?

2 A. Yes. We have sent certified letters to each and also
3 followup with telephone calls.

4 Q. Okay. What percentage of the unit does EOG have under
5 lease?

6 A. 42.74%.

7 Q. How was notice affected that this hearing would take
8 place?

9 A. By certified mail.

10 Q. And by any other means?

11 A. There was a notice of hearing published in the Bluefield
12 Daily Telegraph February the 24th, 2006.

13 Q. Are there any unknown owners in this unit?

14 A. No.

15 Q. Have you filed proofs of publication and your certified
16 mailing---

17 A. Yes.

18 Q. ---with the Board?

19 A. Yes.

20 Q. Again, is EOG authorized to conduct business in the
21 Commonwealth?

22 A. Yes, we are.

23 Q. And does it have a blanket bond on file?
24
25

1 A. Yes, we do.

2 Q. In this particular case, if you were to reach an agreement
3 with the parties respondent on Exhibit
4 B-3, what would those terms be?

5 A. It would be a five year term with a cash bonus of five
6 dollars per net acre and one-eighth of eight-eighths royalty.

7 Q. Okay. Is this the fair market value for a lease in this area?

8 A. Yes, it is.

9 Q. What percentage of the oil and gas estate is EOG seeking
10 to pool?

11 A. 57.26%.

12 Q. Now, I'd already informed the Board that we had provided
13 new exhibits to be included with the application. Can you explain exactly what
14 happened here?

15 A. Part of this lease...part of Tract 3, a small tract, was held
16 by production to Appalachian Energy, but we didn't know how much of the
17 unit...how much of the lease in the unit was held by production. So, the balance
18 of the tract...and the balance of the tract was unleased to the Big Vein parties.
19 So, we had to show that a 100% of the ownership of the...in both parties because
20 we didn't know how much was...we didn't know the proportionate amount in
21 each...that each party owned.

22 Q. Okay. Why did you change these exhibits?

23 A. We now know...we now know from Appalachian Energy,
24
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1 they gave us information that indicated that 2.65% of the 3.21 acres was held by
2 production and the balance, which is...which is a .0...which is .2 interest is
3 unleased.

4 TIM SCOTT: Okay. For the Board's information, you all can see
5 that with hash marks up in the upper, I guess, it would be in the northwestern part
6 of the tract. You can see that part which is leased or held by production, that part
7 which is unleased. And we didn't know it when we filed the application because it
8 was just a very small plat in the Buchanan County Courthouse. Exactly how much
9 of that belonged to AEI and how much belonged to the Big Vein parties that's
10 unleased.

11 Q. As a result of these new exhibits, Mr. Smith, is there...was
12 there need for additional notice?

13 A. No.

14 Q. Okay. So, all the parties who were originally listed are the
15 same parties who are now on this exhibit, is that right?

16 A. That's correct.

17 Q. Is there an escrow requirement for this unit?

18 A. No, there's not.

19 Q. Are you requesting the Board to pool the unleased parties
20 listed on Exhibit B-3?

21 A. Yes, we are.

22 Q. Are you also requesting that EOG be named operator for
23 this unit?

24

25

1 A. Yes, we are.

2 Q. And what address should be used in that order?

3 A. EOG Resources, Inc., Southpoint Plaza One, 400

4 Southpoint Boulevard, Ste. 300, Cannonsburg, Pennsylvania 15317, Attention:

5 Flavious Smith.

6 Q. And, again, all correspondence should be sent to that

7 address, is that right---

8 A. That's correct.

9 Q. ---regarding an order?

10 A. Right.

11 Q. Are you familiar with the proposed depth for this well?

12 A. Yes. This well is proposed to 5,580 feet.

13 Q. And are you requesting the pooling of all formations from

14 the surface to the target formation excluding coal?

15 A. Yes, we are.

16 Q. What are the estimated reserves for this unit?

17 A. 300 million cubic feet.

18 Q. Are you familiar with the well costs?

19 A. Yes, I am.

20 Q. What's the estimated dry hole costs?

21 A. \$234,500.

22 Q. And the completed costs?

23 A. \$393,000.

24

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1 Q. Was an AFE that was signed included with the
2 application?

3 A. Yes, there was.

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

6 A. Yes, it does.

7 Q. And in your opinion, would the granting of this application
8 be in the best interest of conservation, prevention of waste and protection of
9 correlative rights?

10 A. Yes.

11 TIM SCOTT: That's all I have, Mr. Wampler.

12 BENNY WAMPLER: Questions from members of the Board?

13 BILL HARRIS: Mr. Chairman.

14 BENNY WAMPLER: Mr. Harris.

15 BILL HARRIS: Just a clarification. You handed out a revised
16 Exhibit A. Looking at the old Exhibit A, there were tract numbers that are not
17 present on the revised.

18 TIM SCOTT: That's my fault. They came in yesterday, Mr. Harris. I
19 didn't put those on there.

20 BILL HARRIS: Oh, okay. So, they should---

21 TIM SCOTT: Would you want me to do that? I'll be glad to.

22 BILL HARRIS: Well, no, no. There's no for my purpose anyway. I
23 don't know about other---

24

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1 TIM SCOTT: The tract that's up in the---

2 BILL HARRIS: Yeah.

3 TIM SCOTT: ---northwest corner, we've designated it as a 3A and a
4 3B, but it originally was 3.

5 BILL HARRIS: Okay.

6 TIM SCOTT: I believe it's 3.85% of the unit or 3.65% of the unit.

7 BILL HARRIS: Okay. And 1 and 2 stayed the same?

8 TIM SCOTT: Yes, sir.

9 BILL HARRIS: Okay. Thank you.

10 BENNY WAMPLER: Other questions from members of the Board?

11 BOB WILSON: Mr. Chairman.

12 BENNY WAMPLER: Mr. Wilson.

13 BOB WILSON: For my purposes for checking the draft order when it
14 comes in, would you restate the amount that you're pooling and the amount that---
15 ?

16 TIM SCOTT: Yes, sir.

17 BOB WILSON: ---is leased, please?

18 TIM SCOTT: What is the percentage that you have under lease?

19 FLAVIOUS SMITH: We have 42.74% under lease and we are
20 pooling the 57.26.

21 BOB WILSON: Thank you.

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

23 MARY QUILLEN: Mr. Chairman.

1 BENNY WAMPLER: Ms. Quillen.

2 MARY QUILLEN: I've got a question. Is this the same situation as
3 the previous one, these people could not elect to be pooled or---?

4 FLAVIOUS SMITH: No, ma'am. They have the election.

5 MARY QUILLEN: They have the election?

6 FLAVIOUS SMITH: Yes, ma'am.

7 MARY QUILLEN: Okay.

8 TIM SCOTT: This is one of the few tracts that the Big Vein parties,
9 Buchanan County Coal and Unicon Pocahontas where there is no lease currently
10 on that acreage. That's part of Big Vein 14 is the tract designation.

11 BENNY WAMPLER: Other questions?

12 (No audible response.)

13 BENNY WAMPLER: Is there a motion?

14 JAMES McINTRYE: So moved.

15 BENNY WAMPLER: Motion to approve.

16 MARY QUILLEN: Second.

17 BENNY WAMPLER: And a second. Any further discussion?

18 (No audible response.)

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

20 (All Board members signify by saying yes.)

21 BENNY WAMPLER: Opposed, say no.

22 (No audible response.)

23 BENNY WAMPLER: You have approval.

24

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1 TIM SCOTT: Thank you.

2 FLAVIOUS SMITH: Thank you. I think it's time for you all to have
3 lunch now.

4 BENNY WAMPLER: Now, you're leaving...you've got to...Mr. Scott,
5 you've got the...did you continue that one, 16-04?

6 TIM SCOTT: 27-06, yes, sir, that is continued.

7 BENNY WAMPLER: Okay.

8 TIM SCOTT: I'm sorry. Get up and just walk away from you.

9 BENNY WAMPLER: That's all right. I just didn't want you to leave
10 unless you---.

11 TIM SCOTT: I'm sorry.

12 BENNY WAMPLER: That's okay. We're going to...we're going to
13 break for lunch anyway.

14 (Break.)

15 MARY QUILLEN: Oh, so it's not continued?

16 SHARON PIGEON: Jim apparently---.

17 JIM KAISER: No, it's continued. I just want to continue until May
18 instead of April.

19 BENNY WAMPLER: They don't want to.

20 FLAVIOUS SMITH: No, we don't want to do that.

21 BENNY WAMPLER: Well, why do you want to continue it?

22 JIM KAISER: Because we've got about 38% of the unit and we just
23 got their offer on Thursday of last week, until April that gives us less than five
24
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1 weeks. They're a busy company. We'd like more time than that.

2 TIM SCOTT: It could be...it could be resolved in...by the next
3 hearing.

4 FLAVIOUS SMITH: Yeah, we have a...the reason we have an issue
5 with this is we have a drilling commitment with our lessors that if we extend it
6 beyond the period through in May, we may not be able to meet our drilling
7 commitment that expires in June to keep this lease active.

8 BENNY WAMPLER: Guys, we're still on the record here. Okay,
9 with respect to your drilling commitment, when is...when is your commitment?

10 FLAVIOUS SMITH: I have...I have a firm date to have wells drilled
11 including this well June the 15th. It has to be...has to be drilled by June the 15th.
12 That makes it awfully difficult for us to get a rig and get in there that quick.

13 TIM SCOTT: We had noticed them on...within the appropriate
14 amount of time, we still would be here today.

15 FLAVIOUS SMITH: And we are agreeable to pushing this out to the
16 next hearing, but not the hearing after the next.

17 JIM KAISER: Have you got your permit?

18 FLAVIOUS SMITH: Yeah, this has been permitted.

19 JIM KAISER: He can drill the well without the force pooling as long
20 as you've got a permit.

21 FLAVIOUS SMITH: If I...if I drill...if I give...if we give the extension
22 for two months and we drill that well, they get to see all the information before
23 we...they get it at no risk...they get a free look at the well all the way down. That

24

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1 to me is unreasonable under the circumstances.

2 JIM KAISER: It's not a requirement that you make any production
3 reports in a two month period. Is there, Mr. Wilson?

4 BOB WILSON: No, sir.

5 JIM KAISER: Thank you.

6 TIM SCOTT: I think...I think five weeks is more than reasonable
7 Mr...Mr. Wampler for the next hearing date.

8 BENNY WAMPLER: What do you folks want to do? I'll let the
9 Board---

10 BILL HARRIS: What was he addressing to...now, I know why you
11 don't want---

12 JIM KAISER: We have 38% of the unit. We didn't get any offer for
13 a voluntary agreement until Thursday of last week, five days ago. If...we need
14 more time than just the...the April hearing is four weeks from today, which gives
15 us thirty-three days to consider what we want to do with that 38% and because
16 Equitable is trying to drill 400 and some wells themselves, we need more time
17 than that for the right people to be able to look at this and evaluate it. They
18 already have a permit. They can drill the well before their lease run out without
19 the force pooling. They don't...and we're not going to get a free peek at it
20 because you're not going to file anything that quick.

21 FLAVIOUS SMITH: Well, the issue, I guess---

22 JIM KAISER: You're not required to.

23 FLAVIOUS SMITH: I guess the issue on our side would be...is the
24
25

1 penalty of, you know, five days late and it was our...it was our fault for not getting
2 the offer to them quick enough. It was a penalty of five or eight or ten date worth
3 two months. I'm not sure---

4 JIM KAISER: It was twenty-five days late.

5 FLAVIOUS SMITH: I'm not sure that's correct.

6 JIM KAISER: You're suppose to contact us before you file the
7 application.

8 SAMUEL SMALLWOOD: Excuse me.

9 TIM SCOTT: It's still within the...it's still within the reasonable
10 period of time.

11 SAMUEL SMALLWOOD: There's more of an issue here than just a
12 time frame---

13 COURT REPORTER: Sir, you need to state your name, please, and
14 come up here.

15 SAMUEL SMALLWOOD: Samuel Smallwood, Senior Landman with
16 Equitable Production.

17 BENNY WAMPLER: Are you...are you calling him?

18 JIM KAISER: Yeah, I'll call Mr.---

19 BENNY WAMPLER: If you're going to call him, you've got to...she's
20 got to swear him in.

21 JIM KAISER: ---Smallwood as a witness.

22 TIM SCOTT: I'm sorry you all about your food.

23 (Samuel Smallwood is duly sworn.)

24

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1 SAMUEL SMALLWOOD: In all fairness, I can understand what
2 you're saying. But when you're dealing with a voluntary joint venture agreement,
3 you know, we need time to review that, look at where the gas is going to be
4 transported to and by whom and the costs related with that. A five week period is
5 not...is unreasonable considering our notice was giving to us last Thursday, as far
6 as a contact from your company on trying to work out some type of an agreement.
7 Had this been done up front, the agreement possibly could have been worked out
8 and avoided force pooling altogether.

9 FLAVIOUS SMITH: And this is...and this is a surprise...this sixty
10 days is a surprise to me because Steve Perdue and I had a conversation about
11 thirty days. He said, fine. So, that's what we wanted to do was go on and do it for
12 thirty days.

13 BENNY WAMPLER: Well, from our standpoint, all you would get...I
14 mean, as far as what the Board sees, thirty days is all you get anyway. If
15 somebody comes in and files today, you've got to be ready next month. I mean,
16 that's just the way...that's the way you do when you file if somebody is on notice
17 for next month.

18 JIM KAISER: Yeah, but this is not 1 or 2% of the unit, this 38%.

19 BENNY WAMPLER: We never know what that is and that's
20 irrelevant as far as...I'm just talking with you here. That...to me that's irrelevant
21 because we're not basing---

22 JIM KAISER: Sure you know what it is. You get the application.

23 BENNY WAMPLER: I'm sorry?
24
25

1 JIM KAISER: Sure you know what it is. You get the application and
2 you know what percentage everybody has.

3 BENNY WAMPLER: Not until the Board gets it. I'm talking about as
4 far as filing it...the filing date, that's all I'm talking about.

5 JIM KAISER: Oh, okay.

6 BENNY WAMPLER: Yeah. I mean I know that. I'm not trying to
7 argue either way here. I'm just saying from my prospective, you know, next month
8 you've got notice, the same notice you'd have if you was putting somebody on
9 notice. So, you know, if you come in mutually next month and need more time,
10 I...you know, personally I can understand that.

11 FLAVIOUS SMITH: And let me...let me say too, we want to work
12 with Equitable...there's no...there's no...there's no benefit or...as far as I'm
13 concerned, if they want to participate in the well, they can participate in the well
14 and if they don't want to participate in the well, they don't have to. The notice was
15 sent late and I agree with that. But we're not trying to freeze them out of the well
16 or anything else. That's why we agreed to continue it until next month to give
17 them enough time to be able to evaluate it and move forward and still meet our
18 obligations to our lessor.

19 BENNY WAMPLER: What's your pleasure, Board? It's our call. I
20 think you heard the arguments.

21 BILL HARRIS: Let me ask a question, if you don't drill June the
22 15th---?

23 FLAVIOUS SMITH: Right.

24

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1 BILL HARRIS: ---what happens?

2 FLAVIOUS SMITH: There is a...we have a firm drilling commitment
3 to drill a certain number of wells. If we don't drill those wells and we can't get an
4 extension, and we prefer not to ask for an extension from these lessors, we could
5 lose this entire lease.

6 JIM KAISER: But if they have their permit, they can drill the well
7 tomorrow.

8 SAMUEL SMALLWOOD: Right. And when we entering into an
9 agreement, you'll show us your logs and everything pertaining to the well for us to
10 make an election on it.

11 FLAVIOUS SMITH: Right. We, again---

12 SAMUEL SMALLWOOD: So, we're not asking for anymore than
13 that.

14 TIM SCOTT: We're right back where we where, it's thirty days.

15 FLAVIOUS SMITH: Right. We're asking...all we're asking is...we're
16 agreeing, give them a thirty day extension. They've got notice that this is going to
17 happen. We ought to be able to work something out by the next hearing date and
18 get this done. To extend it on again is sixty days and we don't...we don't do...I
19 mean, that's not part of what we're used to doing. I mean, I wish we had sixty
20 days on a lot of things too, but that's just not how it works. You get thirty days and
21 you're gone.

22 BENNY WAMPLER: Okay, Board, any other questions?

23 (No audible response.)

24

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1 BENNY WAMPLER: Is there a motion?

2 DONALD RATLIFF: Well, I move that we move it on the agenda
3 next month and then if they've not reached an agreement, then we can always
4 postpone it again.

5 PEGGY BARBAR: I'll second.

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

7 (No audible response.)

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

9 (All Board members signify by saying yes.)

10 BENNY WAMPLER: Opposed, say no.

11 (No audible response.)

12 BENNY WAMPLER: It will be on next month.

13 (Break.)

14 BENNY WAMPLER: Next is a petition from Pine Mountain Oil and
15 Gas, Inc. for pooling of coalbed methane unit 77-Y, docket number VGOB-06-
16 0321-1605. We'd ask the parties that wish to address the Board in this matter to
17 come forward at this time.

18 (Pause.)

19 BENNY WAMPLER: Okay, do you want to get your witnesses sworn
20 in?

21 (Phil Horn and Ian Landon are duly sworn.)

22 TIM SCOTT: Mr. Chairman, Phil Horn and Ian Landon for Pine
23 Mountain Oil and Gas. I have passed out a revised Exhibit E. Apparently, 1.00

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1 and 1.01 don't exactly add up together. So, we have a typographical error, so
2 fixed that. That's the only change to any of the exhibits that we have.

3 BENNY WAMPLER: All right.

4

5 PHIL HORN

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

7 DIRECT EXAMINATION

8 QUESTIONS BY MR. SCOTT:

9 Q. Mr. Horn, would you state your full name?

10 A. My name is Phil Horn.

11 Q. And by whom are you employed?

12 A. District Landman for Pine Mountain Oil and Gas, Inc.

13 Q. Are you familiar with this application?

14 A. Yes, I am.

15 Q. And is this unit located in the Nora Coalbed Gas Field?

16 A. Yes, it is.

17 Q. What is the unit designation...the name of it?

18 A. Unit 77-Y.

19 Q. Thank you. And does this unit contain 58.77 acres?

20 A. Yes, it does.

21 Q. Does Pine Mountain have drilling rights in this unit?

22 A. Yes, we do.

23 Q. Are there any respondents listed on Exhibit B-3 who

24

25

1 should be dismissed from the application?

2 A. No.

3 Q. Have you attempted to reach an agreement with the parties
4 listed on Exhibit B-3?

5 A. Yes, I have. The woman of Truvie Stanley lives down in
6 Morristown, Tennessee and I spoke to her on the telephone December the 5th
7 and December the 23rd and then I spoke to her on January the 24th. I mailed her
8 a certified lease on January the 24th...I mean, I mailed her lease by certified mail
9 on January the 24th and I haven't received nothing from her.

10 Q. So, no...no response to date?

11 A. Not at all.

12 Q. Okay. How did Ms. Stanley receive notice of this hearing?

13 A. By certified mail.

14 Q. And how else was the notice affected for this hearing?

15 A. It published in the Bluefield Daily Telegraph on February
16 the 24th, 2006.

17 Q. Are there any unknown owners in this unit?

18 A. No, there are not.

19 Q. Have you filed proofs of publication and your mail
20 certifications with Mr. Wilson?

21 A. Yes.

22 Q. Is Pine Mountain authorized to conduct business in the
23 Commonwealth?

24

25

1 A. Yes, we are.

2 Q. And does Pine Mountain...has it registered with the
3 Department and does it have a blanket bond on file?

4 A. Yes, we do.

5 Q. If you were to reach an agreement with Ms. Stanley, what
6 would the terms of that agreement be?

7 A. Five dollars per acre for a five year lease and provides with
8 a one-eighth royalty.

9 Q. Okay. Is that fair and reasonable compensation for a lease
10 in this area?

11 A. Yes, it is.

12 Q. What percentage of this CBM does Pine Mountain have
13 under lease?

14 A. 100%.

15 Q. And what percentage...does that percentage also include
16 fee simple interest that Pine Mountain may have in this unit?

17 A. Yes, it does.

18 Q. What percentage of the gas estate does Pine Mountain
19 have under lease?

20 A. 98.29%.

21 Q. And what percentage of the gas estate are you seeking to
22 pool?

23 A. 1.71%.

24

1 Q. Is there an escrow requirement for this unit?
2 A. Yes.
3 Q. And an Exhibit E, as revised, has been submitted to the
4 Board, is that correct?
5 A. Yes, it has.
6 Q. Are you requesting the Board to pool the unleased parties
7 listed on Exhibit B-3?
8 A. Yes.
9 Q. And you're asking that Pine Mountain be named as
10 operator for this unit?
11 A. Yes, we are.
12 Q. What would be the address of any correspondence
13 regarding an election and any subsequent order for this unit?
14 A. 406 West Main Street, P. O. Box 2136, Abingdon, Virginia
15 24210, Attention: Phil Horn, District Landman.
16 TIM SCOTT: That's all the questions I have for Mr. Horn, if the
17 Board has any questions for him.
18 BENNY WAMPLER: Questions from members of the Board?
19 (No audible response.)
20 BENNY WAMPLER: Just a technicality. Is it 24210 or 24212.
21 PHIL HORN: I think it's 24212. I'm sorry.
22 BENNY WAMPLER: Okay. No problem.
23 PHIL HORN: I gave my home zip.

24

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1 A. 250 million cubic feet.

2 Q. Are you familiar with the proposed well costs?

3 A. Yes.

4 Q. What is the estimated dry hole costs for this well?

5 A. \$112,813.

6 Q. And what about the completed costs?

7 A. \$333,207.

8 Q. Did you prepare the AFE that was filed with the
9 application?

10 A. Yes, I did.

11 Q. Okay. Does the AFE include a reasonable charge for
12 supervision?

13 A. Yes, it does.

14 Q. And are you requesting the Board to pool coalbed methane
15 gas reserves from the surface to the designated formations?

16 A. Yes.

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

20 A. Yes.

21 TIM SCOTT: Okay. That's all the questions I have for Mr. Landon.

22 BENNY WAMPLER: Questions from members of the Board?

23 (No audible response.)

24

25

1 BENNY WAMPLER: Do you have anything further?
2 TIM SCOTT: No, sir.
3 BENNY WAMPLER: Is there a motion?
4 JAMES McINTRYE: So moved.
5 BENNY WAMPLER: Motion for approval.
6 MARY QUILLEN: Second.
7 BENNY WAMPLER: Second. Any further discussion?
8 BENNY WAMPLER: All in favor, signify by saying yes.
9 (All Board members signify by saying yes, but Donald Ratliff.)
10 BENNY WAMPLER: Opposed, say no.
11 (No audible response.)
12 BENNY WAMPLER: You have approval.
13 TIM SCOTT: Thank you, sir.
14 DONALD RATLIFF: I'll...I'll abstain, Mr. Chairman.
15 BENNY WAMPLER: One abstention, Mr. Ratliff. The next item on
16 the agenda is a petition from Equitable Production Company for repooling of
17 conventional gas unit
18 V-536200. This is docket number VGOB-05-1018-1516-01. We'd ask the parties
19 that wish to address the Board in this matter to come forward at this time.
20 JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of Equitable
21 Production. Before we get started, I've got some housecleaning matters. We are
22 going to ask that items seventeen, eighteen, nineteen and twenty-two on the
23 docket be continued until the April docket.

24

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1 BENNY WAMPLER: Seventeen, eighteen, nineteen and twenty-
2 two?

3 JIM KAISER: Yes, sir.

4 BENNY WAMPLER: Those are continued.

5 (Jim Kaiser hands out exhibits.)

6 (Don Hall is duly sworn.)

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

9 JIM KAISER: Our first item today is a repooling on 536200. We've
10 pooled this well back in October of last year. Some subsequent title work has
11 shown that the oil and gas that we thought was conveyed to H & K
12 Contracting...this is Tract 2.. It only involves Tract 2. Actually, didn't go forward
13 and was probably inadvertently been...nevertheless reserved and excepted by
14 Buster Brown. So, we're back today to just pool in and to dismiss H & K
15 Contracting and pool in Buster Brown. We'd ask that the testimony taken in
16 VGOB docket number 05-1018-1586 in October be incorporated for purposes of
17 this hearing.

18 BENNY WAMPLER: That will be incorporated.

19 JIM KAISER: On this matter, I have nothing further. I mean, all the
20 percentages are the same and we're just substituting Buster Brown for H & K
21 Contracting on Tract 2.

22 BENNY WAMPLER: Basically, your B-2 Exhibit?

23 JIM KAISER: Right.

24

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1 BENNY WAMPLER: Right.

2 JIM KAISER: Yeah.

3 BENNY WAMPLER: Is there a motion?

4 DONALD RATLIFF: So moved, Mr. Chairman.

5 BENNY WAMPLER: Moved.

6 PEGGY BARBAR: I'll second.

7 BENNY WAMPLER: Approval and a second. Any further
8 discussion?

9 (No audible response.)

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

11 (All Board members signify by saying yes.)

12 BENNY WAMPLER: Opposed, say no.

13 (No audible response.)

14 BENNY WAMPLER: You have approval.

15 SHARON PIGEON: What earlier docket was it done on, August?

16 BENNY WAMPLER: October.

17 JIM KAISER: October.

18 SHARON PIGEON: That's fine. That's all I needed.

19 JIM KAISER: 1516 is the four digit number.

20 BENNY WAMPLER: The next item on the agenda is a petition from
21 Equitable Production Company for creation and pooling of conventional gas unit
22 V-536782, docket number VGOB-06-0321-1606. We'd ask the parties that wish
23 to address the Board in this matter to come forward at this time.

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1 JIM KAISER: Mr. Chairman and members of the Board, Jim Kaiser
2 and Don Hall on behalf of Equitable Production Company.

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

5 DON HALL

6 DIRECT EXAMINATION

7 QUESTIONS BY MR. KAISER:

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

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

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

14 A. They do.

15 Q. Are you familiar with the application that Equitable filed
16 seeking to establish a unit and pool any unleased interest for EPC well number V-
17 536782, which was dated February the 17th, 2006?

18 A. Yes.

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

21 A. We do.

22 Q. Now, prior to the filing of the application, was an attempt
23 made to work out a voluntary agreement with each respondent listed at Exhibit B

24

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1 who owns an interest in the unit?
2 A. Yes.
3 Q. And what percentage of the unit is under lease to Equitable
4 at this time?
5 A. We have 81.97% leased at this time.
6 Q. And are all unleased parties set out at Exhibit B-3?
7 A. They are.
8 Q. And what is the interest of the unit that remains unleased?
9 A. 18.03%.
10 Q. Now, in this particular unit, we do have some unknown
11 interest owners and as such, were reasonable and diligent efforts made and
12 sources checked to identify and locate any unknown heirs including primary
13 sources such as deed records, probate records, assessor's records, treasurer's
14 records and secondary sources such as telephone directories, city directories,
15 family and friends?
16 A. Yes.
17 Q. In your professional opinion, was due diligence exercised
18 to locate each of the respondents named in Exhibit B?
19 A. It was.
20 Q. Now, the addresses set out in Exhibit B to the last...the
21 application, the last known addresses for the respondents?
22 A. Yes.
23 Q. Are you requesting this Board to force pool all unleased
24

1 interest listed at Exhibit B-3?

2 A. We are.

3 Q. Now, are you familiar with the fair market value of drilling
4 rights in the unit here?

5 A. Yes.

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

7 A. A five dollar bonus on a five year term with a one-eighth
8 royalty.

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

12 A. They do.

13 Q. Now, as to those respondents who have not agreed to
14 lease and are listed at Exhibit B-3, do you agree that they be allowed the
15 following statutory options with respect to their ownership interest within the unit:
16 1) Participation; 2) a cash bonus of five dollars per net
17 mineral acre plus a one-eighth of eight-eighths royalty; or
18 3) in lieu of a cash bonus and one-eighth of eight-eighths
19 royalty share in the operation of the well on a carried basis
20 as a carried operator under the following conditions: Such
21 carried operator shall be entitled to the share of production
22 from the tracts pooled accruing to his/her interest exclusive
23 of any royalty or overriding royalty reserved in any leases,

24

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1 assignments thereof or agreements relating thereto of such
2 tracts, but only after the proceeds applicable to his or her
3 share equal, A) 300% of the share of such costs applicable to
4 the interest of the carried operator of a leased tract or
5 portion thereof; or B) 200% of the share of such costs
6 applicable to the interest of a carried operator of an
7 unleased tract or portion thereof?

8 A. Yes.

9 Q. Do you recommend that the order provide that
10 any elections by the respondents be in writing and sent to
11 the applicant at Equitable Production Company, 1710
12 Pennsylvania Avenue, Charleston, West Virginia 25302,
13 Attention: Leslie Smith, Regulatory?

14 A. Yes.

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

18 A. It should.

19 Q. Should the unleased respondents be given 30
20 days from the date that they receive the Board order to file
21 their written elections?

22 A. Yes.

23 Q. If an unleased respondent elects to
24

1 participate, should they be given 45 days to pay for their
2 proportionate share of well costs?

3 A. Yes.

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

7 A. We do.

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

13 A. Yes.

14 Q. Do you recommend that the order provide that
15 if a respondent elects to participate but fails to pay their
16 proportionate share of well costs, then that respondent's
17 election to participate should be treated as having been
18 withdrawn and void and such respondents should be treated as
19 if no initial election had ever...had ever been filed under
20 the order, that is deemed to have leased?

21 A. Yes.

22 Q. Do you recommend that the order provide that
23 where a respondent elects to participate but defaults in
24

1 regard to the payment of well costs, any cash sum becoming
2 payable to that respondent be paid within 60 days after the
3 last date on which that respondent could have paid those well
4 costs?

5 A. Yes.

6 Q. Okay. In this case, we do have unknown
7 owners in various tracts as depicted at Exhibit E. So, the
8 Board does need to establish an escrow account?

9 A. That's correct.

10 Q. I guess, it is just Tract 10, isn't it?

11 A. Yes.

12 Q. Okay. So, the Board needs to establish an
13 escrow account for any proceeds attributable to Tract 10?

14 A. To the unknown owners of Tract 10?

15 Q. Right.

16 A. Who should be named operator under any force
17 pooling order?

18 A. Equitable Production Company.

19 Q. And what is the total depth of the proposed
20 well?

21 A. 6,020 feet.

22 Q. And the estimated reserves for the unit?

23 A. 300 million cubic feet.

24

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1 Q. Are you familiar with the well costs for
2 this well?

3 A. Yes.

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

6 A. It has.

7 Q. In your opinion, does it represent a
8 reasonable estimate of the well costs?

9 A. It does.

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

12 A. The dry hole costs is \$273,965 and the
13 completed well costs is \$542,235.

14 Q. Do these costs anticipate a multiple
15 completion?

16 A. They do.

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

19 A. Yes.

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

24

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1 A. Yes.

2 MR. KAISER: Nothing further at this time of this
3 witness, Mr. Chairman.

4 BENNY WAMPLER: Questions from members of the Board?

5 BILL HARRIS: Just a quick question, Mr. Chairman.

6 BENNY WAMPLER: Mr. Harris.

7 BILL HARRIS: What was the depth, again, for this?

8 DON HALL: 620...I believe, it was 6,020.

9 JIM KAISER: 6020...6,020.

10 DON HALL: Yes.

11 BILL HARRIS: Oh, okay. Thank you.

12 BENNY WAMPLER: Other questions?

13 (No audible response.)

14 BENNY WAMPLER: Do you have anything further?

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

17 BENNY WAMPLER: Is there a motion?

18 JAMES McINTRYE: So moved.

19 BENNY WAMPLER: Is there a second?

20 PEGGY BARBAR: I second.

21 BENNY WAMPLER: Second. Any further discussion?

22 (No audible response.)

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

24

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1 (All Board members signify by saying yes.)

2 BENNY WAMPLER: Opposed, say no.

3 (No audible response.)

4 BENNY WAMPLER: You have approval. The next item is a petition
5 from Equitable Production Company for pooling of coalbed methane unit VC-
6 536623. This is docket number VGOB-06-0321-1607. We'd ask the parties that
7 wish to address the Board in this matter to come forward at this time.

8 JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on
9 behalf of Equitable Production Company.

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

12 JIM KAISER: I think all of you all have been here now over the past
13 four or five months. This is another one of our Yellow Popular wells. But we'll go
14 through the testimony.

15

16 DON HALL

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. KAISER:

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

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

23 Q. And are you familiar with the application we filed seeking
24

25

1 to pool any unleased interest for EPC well number VC-536623, which was dated
2 February the 17th, 2006?

3 A. Yes.

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

6 A. We do.

7 Q. And what is the interest of Equitable in the gas estate?

8 A. We have 0% of the gas estate leased.

9 Q. And what is the interest of Equitable in the coal estate?

10 A. We have a 100% of the coal estate leased.

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

12 A. Yes.

13 Q. And you made reasonable and diligent efforts again as you
14 have ongoing for several years now to try to identify any potential shareholders or
15 successors in interest to the Yellow Popular Lumber Company?

16 A. Yes.

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

19 A. Yes.

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

22 A. Yes.

23 Q. Are you requesting this Board to force pool all unleased
24

1 interest as listed at Exhibit B-3?

2 A. We are.

3 Q. Again, are you familiar with the fair market value of drilling
4 right in the unit here?

5 A. Yes.

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

7 A. A five dollar bonus on a one year...on a five year term and
8 a one-eighth royalty.

9 Q. In your opinion, do the terms that you just testified to
10 represent the fair market value of and fair and reasonable compensation to be
11 paid for drilling rights within---?

12 A. They do.

13 Q. ---this unit?

14 A. They do.

15 BENNY WAMPLER: Mr. Chairman, as to any statutory election
16 options that would be afforded anybody that would come forward making claim to
17 the Yellow Popular interest, we would ask that the testimony just taken regarding
18 those options in item number 06-0321-1606 be incorporated for purposes of this
19 hearing.

20 BENNY WAMPLER: That will be incorporated.

21 Q. Mr. Hall, we do need to establish an escrow account?

22 A. Yes.

23 Q. For the Yellow Popular interest?

24

25

1 A. That's correct.

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

4 A. Equitable Production Company.

5 Q. And what's the total depth of this proposed well?

6 A. 2,020 feet.

7 Q. And the estimated reserves for the unit?

8 A. 230 million cubic feet.

9 Q. And you're familiar with the well costs for this well?

10 A. Yes.

11 Q. An AFE has been reviewed, signed and submitted to the
12 Board as Exhibit C?

13 A. It has.

14 Q. In your opinion, does it represent a reasonable estimate of
15 the well costs?

16 A. It does.

17 Q. Again, could you state dry hole and completed well costs
18 for this well?

19 A. The dry hole costs is \$130,732 and the completed well
20 costs is \$309,365.

21 Q. Do these costs anticipate a multiple completion?

22 A. They do.

23 Q. Does your AFE include a reasonable charge for
24

1 supervision?

2 A. Yes.

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

6 A. Yes.

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

9 BENNY WAMPLER: Questions from members of the Board?

10 BILL HARRIS: Mr. Chairman, just a information question.

11 BENNY WAMPLER: Mr. Harris.

12 BILL HARRIS: The plat that you have, I guess it represents coal.
13 But this grey area that sort of undulates through there, what...I'm confused as to
14 what that is.

15 DON HALL: That---.

16 BILL HARRIS: Yeah, it looks like a big question mark. Is that---?

17 DON HALL: Show me where you're talking about.

18 BILL HARRIS: On the plat, that whole area.

19 DON HALL: That's...that's a stripped area.

20 BILL HARRIS: Is that...okay. Yeah, okay.

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

22 (No audible response.)

23 BENNY WAMPLER: Do you have anything further?
24
25

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

3 BENNY WAMPLER: Is there a motion?

4 JAMES McINTRYE: Motion to approve, Mr. Chairman.

5 BILL HARRIS: Second.

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

7 (No audible response.)

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

9 (All Board members signify by saying yes.)

10 BENNY WAMPLER: Opposed, say no.

11 (No audible response.)

12 BENNY WAMPLER: You have approval.

13 DON HALL: Thank you all.

14 BENNY WAMPLER: Thank you. Next is a petition from Columbia
15 Natural Resources, LLC for a well location exception for proposed well 825840.
16 This is docket number VGOB-06-0321-1609. We'd ask the parties that wish to
17 address the Board in this matter to come forward at this time.

18 JIM KAISER: This matter, Mr. Chairman and members of the Board,
19 Jim Kaiser on behalf of Chesapeake. My witness will be Mr. Stan Shaw. I've got
20 Mr. Shaw's resume here somewhere.

21 (Stan Shaw is duly sworn.)

22 JIM KAISER: This is 825840, right?

23 BENNY WAMPLER: Yes.

24

--

1 reserve estimates, well testing and little bit of everything. From there, I went to
2 work for Columbia Gas Transmission in underground gas storage and from there
3 joined Chesapeake.

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

6 A. Yes.

7 Q. And you're familiar with the application we filed seeking a
8 location exception for this well?

9 A. Yes.

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

12 A. Yes.

13 Q. And would you indicate for the Board the ownership of the
14 oil and gas underlying the unit for this well?

15 A. Chesapeake owns 100%.

16 Q. And does Chesapeake have the right to operate any
17 reciprocal wells?

18 A. Yes.

19 Q. Which there is just one, which is 25...well number 25310,
20 correct?

21 A. That's correct.

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

23 A. No.

24

25

1 Q. Now, explain for the Board, in conjunction with the exhibits
2 you prepared, why we're seeking this exception?

3 A. That's for topography reasons. The...the scale here is an
4 inch to 1000 feet and the contour interval is 40 feet. So, it doesn't look so steep
5 here, but that's because the contours are stretched out with the both the 1000 and
6 the 40 foot contour. So, to get away from the 25310 the well would move just
7 about due south onto that hillside coming up out of the creek and it's too steep. If
8 we would go further south, that would crowd into other wells for future
9 development.

10 Q. So, it's basically because this...in order to not to commit
11 waste and not be able to produce some reserves in order to get a well in this area
12 and be able to build a safe site, this was the best place to put it and our lessor is
13 happy to have it there because it hasten the recovery of the gas reserves...so the
14 royalty owner is happy and the state would be happy because there's no waste
15 and they're going to get the severance tax and we're happy because our costs will
16 be less to drill it there than---

17 A. Yes.

18 Q. ---somewhere where it would be almost possible to
19 stabilize the site, correct?

20 A. Yes, that's correct.

21 Q. Okay. And in the event the location exception were not
22 granted, would you project the estimated loss of reserves?

23 A. 400 million cubic feet.

24

--

1 Q. And what is the total depth of this proposed well?

2 A. 5,500 feet.

3 Q. And are you requesting that the location exception cover
4 conventional gas reserves to include designated formations that are in the
5 application from the surface to the total depth drilled?

6 A. Yes.

7 Q. And in your opinion, would the granting of this location
8 exception be in the best interest of preventing waste, protecting correlative rights
9 and maximizing the recovery of the gas reserves underlying the surrounding area
10 for 825840?

11 A. Yes.

12 JIM KAISER: Nothing further of this witness at this time, Mr.
13 Chairman.

14 BENNY WAMPLER: You said that if you move it south it will impact
15 future development and not current development, is that correct?

16 STAN SHAW: Yeah, it impacts spacing on other wells.

17 BENNY WAMPLER: Proposed wells?

18 STAN SHAW: Proposed wells, correct.

19 JIM KAISER: Isn't it too steep though also to move it south?

20 STAN SHAW: Well, yeah, to move it a short distance south it is and
21 if you would go down there to the split of that road 647, you're stretching it out too
22 far to capture all of the reserves underneath that area.

23 MARY QUILLEN: Mr. Chairman, I have---.

24

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1 BENNY WAMPLER: Ms. Quillen.

2 MARY QUILLEN: And I should know this, but I don't know where the
3 Knox District. What...where is that located?

4 STAN SHAW: This is in Panther.

5 JIM KAISER: The Panther Quad Drill and the Knox District. I just
6 she's just saying do you know any...what... what that's near?

7 BILL HARRIS: I see down to the lower right, you see the spelling of
8 Virginia and that's...I thought, well, wait a minute, you know, is this Virginia?

9 JIM KAISER: Well, it's probably not too far from the Virginia and
10 West Virginia line.

11 BENNY WAMPLER: That's what it is.

12 MARY QUILLEN: Yeah, is that---?

13 BILL HARRIS: Yeah, is this a little knob that sticks up and we're on
14 the left side or the right side of that knob or what?

15 STAN SHAW: On the right side is McDowell County, West Virginia--
16 -.

17 MARY QUILLEN: Oh, okay.

18 STAN SHAW: ---of where that's at.

19 BILL HARRIS: So, where the black sort of...I didn't mean to take
20 away from your questioning, but I mean I had the same question really.

21 MARY QUILLEN: Uh-huh.

22 BILL HARRIS: So, this is...this is where the knob is and that we're
23 on the right side of that? Is that...what I would call the knob? Oh, I don't have a---
24
25

1 .

2 JIM KAISER: It's in what we call the Paw Paw area.

3 BILL HARRIS: That don't tell me anything either.

4 MARY QUILLEN: Is Buchanan County where it juts up just a little...a
5 little small---?

6 BILL HARRIS: Yeah, that's what I call a little knob.

7 MARY QUILLEN: ---space where McDowell County is directly to the
8 east of it?

9 STAN SHAW: It is.

10 JIM KAISER: That would be right.

11 STAN SHAW: In Panther.

12 JIM KAISER: That's exactly right.

13 MARY QUILLEN: Okay.

14 LYNETTE GREENE: It's close to the state line.

15 JIM KAISER: The white...what you see in white, I believe, is West
16 Virginia.

17 MARY QUILLEN: That was...that was my point...I thought that was--
18 -.

19 BILL HARRIS: Well, yeah, so, you know, and to the left of that is
20 Virginia and that's why...that's what confused me and maybe her too. But, yeah,
21 okay. Okay.

22 BENNY WAMPLER: Mr. Wilson, do you have any concerns about
23 this?

24

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1 BOB WILSON: No, sir.

2 BENNY WAMPLER: I can...I can tell you that typically, unless you
3 give us more on future development, we don't...you know, you usually have to
4 have topographic distance, you know, or some...or some other...be doing it for a
5 well or what have you rather than just say we don't want to impact future
6 development, you know. So---

7 STAN SHAW: Have the other wells spotted, in other words.

8 BENNY WAMPLER: Yeah, to give us, you know, where the
9 proposed well is on here and things like that. It's just kind of heads up. It
10 helps...it helps get your point across. Other questions from members of the
11 Board?

12 BILL HARRIS: Now, there is a...well...no.

13 JIM KAISER: Well, I guess, if we drop it down to where we could
14 find the topographic site that we can build a stable drill site, what's going to
15 happen is we're going to...since we have circles, we're going to leave undrained,
16 uncompensated acreage in there and you don't want to do that.

17 BENNY WAMPLER: I understand. I was just saying that it helps to
18 have on the map the location of the proposed well or something like that. I was
19 just talking about---

20 JIM KAISER: Apparently, it's also where Alpha wants us to put it
21 she just said.

22 SHARON PIGEON: Maybe next time you need to call Ms. Green.

23 BENNY WAMPLER: I'm not trying to be difficult with you. It just
24

1 helps for everybody---.

2 STAN SHAW: Oh, I understand.

3 BENNY WAMPLER: ---to have a good understanding. Other
4 questions?

5 (No audible response.)

6 BENNY WAMPLER: Do you have anything further?

7 JIM KAISER: No, sir. We just ask that the application be approved
8 as submitted.

9 BENNY WAMPLER: Is there a motion?

10 JAMES McINTRYE: Motion to approve, Mr. Chairman.

11 MARY QUILLEN: Second.

12 BENNY WAMPLER: Second. Any further discussion?

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

14 (All Board members signify by saying yes.)

15 BENNY WAMPLER: Opposed, say no.

16 (No audible response.)

17 BENNY WAMPLER: You have approval. Next is a petition from
18 Columbia Natural Resources, LLC for a well location exception for proposed well
19 825903, docket number VGOB-06-0321-1610. We'd ask the parties that wish to
20 address the Board in this matter to come forward at this time.

21 JIM KAISER: Yes, sir, again, Jim Kaiser and Stan Shaw on behalf
22 of Chesapeake Appalachia, LLC. Let me point out that there is one typo in the
23 application. If you go to paragraph 2.2 it states this was the only acceptable
24

1 drill...drilling site verbally approved by Rapoca and TECO Mining Company in
2 vicinity of 821789. I don't know where that came from. The two wells that we're
3 seeking an exception from are 823540 and 821732. So...

4 BENNY WAMPLER: And let me...I should have clarified for the last
5 one. Even though your application is one behalf...applicant is Columbia Natural
6 Resources, LLC, you're saying Chesapeake. Has that---?

7 JIM KAISER: Yeah, I think like two days after we filed these, the
8 bond transfer was made. So---

9 BENNY WAMPLER: So, now it is Chesapeake?

10 JIM KAISER: ---it is Chesapeake Appalachia, LLC.

11 BENNY WAMPLER: Okay.

12 BOB WILSON: They're legal now.

13 BENNY WAMPLER: Chesapeake Appalachia, LLC?

14 JIM KAISER: And you're going to see that...yeah, you'll see that on
15 the force poolings also.

16 BENNY WAMPLER: And for the purposes of these orders, that's
17 how they would be---?

18 JIM KAISER: Styled, yes, sir.

19 BENNY WAMPLER: ---styled both of them?

20 JIM KAISER: Yeah, right.

21 BENNY WAMPLER: Okay. You may proceed.

22 JIM KAISER: The operator should be Chesapeake Appalachia,
23 LLC.

24

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1 BENNY WAMPLER: Okay.

2

3 STAN SHAW

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. KAISER:

6 Q. Mr. Shaw, again, your job takes in this property and the
7 surrounding area?

8 A. Yes.

9 Q. And you're familiar with the application we filed seeking a
10 location exception for this well?

11 A. Yes.

12 Q. Have all interested parties been notified as required by
13 Section 4(B)---

14 A. Yes.

15 Q. ---for the Board regulations? And could you indicate for
16 the Board the ownership of the oil and gas underlying the unit for 825903?

17 A. Chesapeake has 100%.

18 Q. And they have the right to operate the two reciprocal
19 wells?

20 A. Yes.

21 Q. So, there's no correlative rights issues?

22 A. No.

23 Q. Okay. No, we don't have exhibit for this particular one

24

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1 because it's strictly a coal driven location?

2 A. Yeah, the reason for the spacing exception request is this
3 is the only acceptable drilling site verbally approved by Rapoca and TECO Mining
4 Companies.

5 Q. So, they essentially picked a spot to minimize the impact
6 on any future mining operations?

7 A. Yes.

8 Q. Okay. And in the event this location exception were not
9 granted, would you project the estimated loss of reserves here?

10 A. 400 million cubic feet.

11 Q. And what's the total depth of the proposed well?

12 A. 5,900 feet.

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

16 A. Yes.

17 Q. In your opinion, would the granting of this application be in
18 the best interest of preventing waste, protecting correlative rights and maximizing
19 the recovery of gas reserves underlying the unit for 825903?

20 A. Yes.

21 JIM KAISER: Nothing further of this witness, Mr. Chairman.

22 BENNY WAMPLER: Questions from members of the Board?

23 (No audible response.)

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1 BENNY WAMPLER: Would you repeat your TD, total depth?
2 STAN SHAW: 5,900.
3 BILL HARRIS: Well, now...I don't think that's---.
4 JIM KAISER: Is that not what the application says. Yes, it's at the
5 end of 2.7.
6 BILL HARRIS: Are we on 536475?
7 JIM KAISER: We're on 825903.
8 BILL HARRIS: How did I get...?
9 (Laughs.)
10 BILL HARRIS: Sorry.
11 JIM KAISER: It has been a long day.
12 BENNY WAMPLER: Never mind. Do you have anything further?
13 JIM KAISER: We'd ask that the application be approved as
14 submitted.
15 BENNY WAMPLER: Is there a motion for approval?
16 JIM McINTYRE: Motion to approve.
17 MARY QUILLEN: Second.
18 BENNY WAMPLER: Second. Any further discussion?
19 (No audible response.)
20 BENNY WAMPLER: All in favor, signify by saying yes.
21 (All members signify by saying yes.)
22 BENNY WAMPLER: Opposed, say no.
23 (No audible response.)

24

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1 wells?

2 A. Yes.

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

4 A. No.

5 Q. And, again, this is not a topography or driven request, it is

6 strictly, again, a site that was approved---

7 A. Rapoca Coal.

8 Q. ---by Rapoca Coal land in an attempt to minimize any

9 future impact on their mining operations, correct?

10 A. Correct.

11 Q. Okay. It was actually verbally approved by them on, I

12 think, December the 22nd of last year?

13 A. Yes.

14 Q. Okay. And in the event this location exception were not

15 granted, would you project the estimated loss of reserves?

16 A. 400 million cubic feet.

17 Q. And the total depth of this well?

18 A. 5,595.

19 Q. And you're requesting that this...5...5,595, is that correct?

20 A. Yes.

21 Q. Okay. And is the applicant requesting that this location

22 exception cover conventional gas reserves to include the designated formations

23 as listed in our application from the surface to the total depth drilled?

24

1 A. Yes.

2 Q. In your opinion, would the granting of this location
3 exception be in the best interest of preventing waste, protecting correlative rights
4 and maximizing the recovery of the gas reserves underlying the unit for well
5 824544?

6 A. Yes.

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

9 BENNY WAMPLER: Questions from members of the Board?

10 MARY QUILLEN: I have a question, Mr. Chairman.

11 BENNY WAMPLER: Ms. Quillen.

12 MARY QUILLEN: In...on the...on your graph it's well 24629 and our
13 agenda it's listed as well 24626. Which well is it?

14 STAN SHAW: The off setting well?

15 MARY QUILLEN: Pardon?

16 BENNY WAMPLER: The off setting well to the northwest?

17 MARY QUILLEN: Uh-huh. Uh-huh.

18 STAN SHAW: 824629.

19 BENNY WAMPLER: Other questions?

20 (No audible response.)

21 BENNY WAMPLER: Do you have anything further?

22 JIM KAISER: Mr. Chairman, we'd ask that the application be
23 approved as submitted. I think we do have that right in the application.

24

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1 BENNY WAMPLER: It is.

2 JIM KAISER: Okay.

3 BOB WILSON: Mr. Chairman, I think that was a mistake that I made
4 on the material that I handed you folks.

5 MARY QUILLEN: Oh, okay.

6 BOB WILSON: It was a typo on my part.

7 MARY QUILLEN: Okay.

8 BENNY WAMPLER: Is there a motion?

9 PEGGY BARBAR: Motion to approve.

10 JIM McINTYRE: So moved.

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

12 JIM McINTYRE: Second.

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

14 (All members signify by saying yes.)

15 BENNY WAMPLER: Opposed, say no.

16 (No audible response.)

17 BENNY WAMPLER: You have approval. Next is a petition from
18 Columbia Natural Resources, LLC for creation and pooling of conventional gas
19 unit 825839, docket number VGOB-03-...I'm sorry, 06-0321-1612. We'd ask the
20 parties that wish to address the Board in this matter to come forward at this time.

21 (Jim Kaiser confers with Lynette Green.)

22 JIM KAISER: I'm like Bill Harris, I've got the wrong file out.

23 BILL HARRIS: Yeah, it happens.

24

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1 JIM KAISER: All right. 825839 that's first?

2 BENNY WAMPLER: That's it.

3 JIM KAISER: We do have a...Mr. Chairman and Board members,
4 Jim Kaiser, Stan Shaw and now we're adding Lynette Green to our witnesses.
5 So, we'll ask her to be sworn in.

6 (Lynette Green is duly.)

7 JIM KAISER: Okay. This one, apparently, we must have originally
8 filed in...I guess, my legal assistant call Mr. Wilson and we forgot to include the B-
9 3 because I asked her this morning, I said, "Why do I have these other B-3s?
10 There are not any different." Do you all have them in yours?

11 MARY QUILLEN: I have no B-3.

12 JIM KAISER: That's why then. I knew there had to be a reason.

13 (Jim Kaiser passes out an exhibit.)

14 SHARON PIGEON: She did good.

15 JIM KAISER: She did good. Don't give me any of the credit.

16 BENNY WAMPLER: For his part.

17 JIM KAISER: All right. We'll start with Ms. Green.

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LYNETTE GREEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Lynette Green. I'm a senior land representative with the Chesapeake Appalachia.

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

A. They do.

Q. Are you familiar with the application Chesapeake filed seeking to establish a drilling unit and pool any unleased interest within that unit dated February... for this well dated February the 17th, 2006?

A. Yes.

Q. And does Chesapeake own drilling rights in the unit involved here?

A. They do.

Q. And prior to filing the application, were efforts made to contact each of the respondents and an attempt made to work out a voluntary agreement regarding the development of the well?

A. Yes.

Q. And what is the interest of Chesapeake that's under lease

1 in this unit?

2 A. 60.475893% under lease to C...to Chesapeake at this time.

3 Q. I don't know why she put that C. It makes me think

4 California.

5 A. It makes me think CNX.

6 Q. Are you familiar with the ownership of drilling rights of

7 parties other than Chesapeake underlying this unit?

8 A. Yes.

9 Q. Could you tell the Board what those are?

10 A. 39.54210%.

11 Q. And that represents the Kroll---?

12 A. Mary Kroll Estate.

13 Q. ---Estate that is under lease to CNX?

14 A. Right.

15 Q. And here's a copy of our offer to CNX dated February the

16 28th that was sent out to them in advance of the hearing, is that correct?

17 A. That's correct. CNX always elects to participate later after

18 the hearing.

19 Q. Are all unleased parties set out in B-3?

20 A. Yes.

21 Q. And we don't...in the B-3 that we just gave the Board,

22 right?

23 A. Right.

24

1 Q. And we don't have any unknown or unlocateable owners,
2 correct?

3 A. That's true.

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

6 A. Yes.

7 Q. Are you requesting this Board to force pool all the
8 unleased interest as listed at B-3?

9 A. Yes.

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

12 A. Yes, I am. It's a five dollar bonus with a five year term at a
13 one-eighth royalty.

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

17 A. Yes.

18 JIM KAISER: Mr. Chairman, what would your pleasure be on the
19 testimony regarding the election options. Can I incorporate it from a previous one
20 even though it's a different applicant?

21 BENNY WAMPLER: You can.

22 JIM KAISER: Okay. We'd ask that the testimony afforded CNX, the
23 unleased oil and gas lessee, their statutory options, that the testimony taken in
24

1 that previous number...I can't remember what number it was, 1606 maybe...is that
2 the number? Is there a 1606?

3 BENNY WAMPLER: Yeah.

4 JIM KAISER: 1606 be incorporated for purposes of this hearing.

5 BENNY WAMPLER: That will be incorporated.

6 Q. Ms. Green, we do not need to establish an escrow
7 account, is that correct?

8 A. That's correct.

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

11 A. Columbia Natural...excuse me, Chesapeake Appalachia,
12 LLC.

13 JIM KAISER: Nothing further of this witness at this time, Mr.
14 Chairman.

15 BENNY WAMPLER: Any questions from members of the Board?
16 (No audible response.)

17 BENNY WAMPLER: Call your next witness.

18 JIM KAISER: She's amazed at my memory.

19 SHARON PIGEON: Yes.

20 JIM KAISER: Item 1606.

21 SHARON PIGEON: I'm amazed at your memory too.

22 BENNY WAMPLER: I wouldn't...I wouldn't push it, Jim. I don't think
23 that was it.

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1 JIM KAISER: You don't? You don't think that was it?

2 BENNY WAMPLER: No.

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STAN SHAW

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DIRECT EXAMINATION

6 QUESTIONS BY MR. KAISER:

7 Q. Mr. Shaw, if you'd state your name again for the record,
8 who you're employed by and in what capacity?

9 A. My name is Stan Shaw. I'm employed by Chesapeake
10 Appalachia as a reservoir engineer.

11 Q. And you're familiar with the proposed exploration here for
12 this well?

13 A. Yes.

14 Q. And what's the total depth of the proposed well?

15 A. 5,570 feet.

16 Q. And you're requesting the force pooling of conventional
17 gas reserves not only to include the designated formations in the application, but
18 any other formations excluding coal formations which may be between those
19 formations designated from the surface to the total depth drilled?

20 A. Yes.

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

22 A. 400 million cubic feet.

23 Q. Now, are you familiar with the well costs for this well?

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1 A. Yes.

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

4 A. Yes.

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

7 A. Yes.

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

10 A. Dry hole costs are \$233,910 and completed well costs
11 \$475,577.

12 Q. Do these costs anticipate a multiple completion?

13 A. Yes.

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

16 A. Yes.

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

20 A. Yes.

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

23 BENNY WAMPLER: I would ask you rather than have to requote
24

1 the terms, that you get them to agree that that's what their...that they accept---.

2 JIM KAISER: That they agree with that testimony?

3 BENNY WAMPLER: Yes.

4 JIM KAISER: Do you agree with the testimony that was previously
5 taken here this afternoon regarding the statutory election options afforded any
6 unleased parties?

7 LYNETTE GREENE: Yes, I do.

8 BENNY WAMPLER: Thank you. Do you have anything further?

9 JIM KAISER: We'd ask that the application be approved as
10 submitted with the addition of the B-3.

11 BENNY WAMPLER: Questions from members of the Board?

12 (No audible response.)

13 BENNY WAMPLER: Is there a motion?

14 JIM McINTYRE: So moved.

15 BENNY WAMPLER: Motion for approval.

16 BILL HARRIS: Second.

17 BENNY WAMPLER: Second. Any further discussion?

18 (No audible response.)

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

20 (All members signify by saying yes.)

21 BENNY WAMPLER: Opposed, say no.

22 (No audible response.)

23 BENNY WAMPLER: You have approval. Next is a petition from
24
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1 Columbia Natural...I'm sorry, from Chesapeake Appalachia, LLC for creation and
2 pooling of conventional gas unit 825852, docket number VGOB-06-0321-1613.
3 We'd ask the parties that wish to address the Board in this matter to come forward
4 at this time.

5 JIM KAISER: Now, Mr. Chairman and members of the Board, again,
6 Jim Kaiser, Lynette Green and Stan Shaw on behalf of Chesapeake. Before we
7 get started with Ms. Green's testimony, we had given you a revised B and B-3.
8 When we initially filed this application back in February on the 17th, we were
9 showing Tracts 2 and 4 as being leased to Equitable Production Company.
10 Subsequent title work has revealed and further investigation with Equitable has
11 revealed that they did not have a lease on those two tracts. So, we've got revised
12 exhibits showing Tracts 2 and 4 as being unleased.

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

15

16 LYNETTE GREEN

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. KAISER:

19 Q. Ms. Green, if you'd state your name for the record, who
20 you're employed by and in what capacity?

21 A. My name is Lynette Green. I'm a senior land
22 representative for Chesapeake Appalachia.

23 Q. And you're familiar with Chesapeake's application seeking
24

25

1 to establish a drilling unit and pool any unleased interest for well number 825852?

2 A. Yes, I am.

3 Q. And does Chesapeake own drilling rights in the unit
4 involved here?

5 A. Yes.

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

9 A. Yes.

10 Q. And what is the interest under lease to Chesapeake within
11 the unit at this time?

12 A. 91.197089%.

13 Q. And the percentage that is unleased?

14 A. 8.802911%.

15 Q. And are all unleased parties set out at B-3?

16 A. They are

17 Q. And we don't have any unknown, unlocateable
18 respondents?

19 A. No.

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

22 A. Yes.

23 Q. Are you requesting this Board to force pool all the
24

1 unleased interest as listed at B-3?

2 A. Yes.

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

5 A. Yes, I am. It's a five dollar bonus with a five year term at a
6 one-eighth royalty.

7 Q. In your professional opinion, do the terms you've just
8 testified to represent the fair market value of and fair and reasonable
9 compensation to be paid for drilling rights within this unit?

10 A. Yes.

11 Q. Now, as to the statutory elections afforded Plum Creek, the
12 unleased party in this unit, would you agree that they be allowed all the options
13 and ramifications thereof as were previously stated in the testimony earlier this
14 afternoon?

15 A. Yes, I would.

16 JIM KAISER: Mr. Chairman, we'd ask that that testimony again be
17 incorporated.

18 BENNY WAMPLER: That will be incorporated.

19 Q. And in this particular instance or this particular unit, the
20 Board does not need to establish an escrow account, is that correct?

21 A. That's correct.

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

24

25

1 A. Chesapeake Appalachia, LLC.

2 JIM KAISER: Nothing further of this witness, Mr. Chairman.

3 BENNY WAMPLER: Any questions of this witness from members of
4 the Board?

5 (No audible response.)

6 BENNY WAMPLER: Call your next witness.

7

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9

10 STAN SHAW

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. KAISER:

13 Q. Mr. Shaw, do your responsibilities include the land
14 involved in this unit?

15 A. Yes.

16 Q. And you're familiar with the plan of exploration?

17 A. Yes.

18 Q. And what's the total depth for this well?

19 A. 5,270 feet.

20 Q. And the estimated reserves for the unit?

21 A. 300 million cubic feet.

22 Q. Are you familiar with the well costs?

23 A. Yes.

24

25

1 Q. And does your AFE, which was reviewed, signed and
2 submitted to the Board as Exhibit C, in your opinion, represent a reasonable
3 estimate of the well costs?

4 A. Yes.

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

7 A. Dry hole costs are \$206,350 and completed well costs
8 \$407,502.

9 Q. Do these costs anticipate a multiple completion?

10 A. Yes.

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

13 A. Yes.

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

17 A. Yes.

18 JIM KAISER: Nothing further of this witness at this time, Mr.
19 Chairman.

20 BENNY WAMPLER: Questions from members of the Board?

21 MARY QUILLEN: Mr. Chair.

22 BENNY WAMPLER: Ms. Quillen.

23 MARY QUILLEN: Could you restate the depth of this well?
24

1 STAN SHAW: 5,270 feet.
2 MARY QUILLEN: 5000?
3 STAN SHAW: 270.
4 BENNY WAMPLER: Other questions?
5 (Board members confer among each other.)
6 BENNY WAMPLER: He's questioning on your estimated TD up
7 here 5545.
8 STAN SHAW: On the AFE?
9 BENNY WAMPLER: Yes.
10 BILL HARRIS: Yes.
11 STAN SHAW: The...the first number in there comes off the G plat
12 the geologist prepares. Then the drilling engineering goes out and actually
13 stakes the well and sometimes they move a little. That number...the lower number
14 is the drilling engineer's number.
15 BENNY WAMPLER: That's what I always look at.
16 JIM KAISER: You always look at the contract drilling too?
17 BILL HARRIS: Yeah. That's one---.
18 JIM KAISER: Yeah, that's what they're paying for.
19 BENNY WAMPLER: That's what they pay for.
20 BILL HARRIS: Okay.
21 BENNY WAMPLER: Yeah. Other questions from members of the
22 Board?
23 (No audible response.)
24

1 BENNY WAMPLER: DO you have anything further?

2 JIM KAISER: Mr. Chairman, we'd ask that the application be
3 approved as submitted with the revised Exhibit B and B-3?

4 BENNY WAMPLER: Is there a motion?

5 JIM McINTYRE: So moved, Mr. Chairman.

6 PEGGY BARBAR: I second.

7 BENNY WAMPLER: Motion is second. Any further discussions?
8 (No audible response.)

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

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

13 BENNY WAMPLER: You have approval. Thank you.

14 JIM KAISER: Thank you.

15 LYNETTE GREEN: Thank you.

16 BENNY WAMPLER: And finally, Board members, for me, Mr.
17 Wilson may have something else, but we need a motion for the minutes from the
18 last Board meeting. Is there any corrections or additions?

19 (No audible response.)

20 BENNY WAMPLER: All right. I'll entertain a motion for approval.

21 JIM McINTYRE: Motion to approve, Mr. Chairman.

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

23 MARY QUILLEN: Second.

24

1 BENNY WAMPLER: Second. Any further discussion?

2 (No audible response.)

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

4 (All members signify by saying yes.)

5 BENNY WAMPLER: Opposed, say no.

6 (No audible response.)

7 BENNY WAMPLER: We have approval. Do you have anything, Mr.

8 Wilson?

9 BOB WILSON: Yes, sir, I do. This shouldn't take more than another
10 hour and a half, I don't think.

11 (Laughs.)

12 BOB WILSON: Actually, I want to report back to you on the
13 progress that we've made relative to the RFP that we discussed last time looking
14 for the possibility of a new banking contract to handle the escrow account.

15 Number one, I had a question as to what the timing of the
16 changeover as for the new deal? I still don't have any good numbers on that. I've
17 yet to talk to a principal in the new company that's taking over. My contacts at
18 Wachovia do not have any good timing information at this point in time. They say
19 that it is, as far as they're concerned, a done deal. But insofar as the timing of the
20 actual switch over, they do not have any more information than we do. So, I'd say
21 it's not imminent. Maybe I'm just hoping it's not imminent. At any rate, we still
22 have the options that we had looked before.

23 Just for your information, we have gotten together a group

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1 composed of our DMME internal auditor, two folks from our office financial
2 services, one person from our office of general services, which handles
3 contracting, my assistant in the office, Diane Davis, and myself. Diana Davis is
4 also very good at getting quick lunches, you may have noticed today. We met
5 extensively over at Big Stone and basically took the former documents that we
6 had used for soliciting contracts and went through them and changed them to
7 meet our current needs. We have in draft right now, first draft, RFPs for both an
8 escrow accountant and an escrow bank. It was decided in that group that we
9 probably needed to put out...even though the bank's main function is going to be
10 just as depository, we needed to have a contract with them because there will be
11 certain services that will be required of them, even though the accounting firm will
12 be doing most of the work, if all of this works out the way we're thinking it will.
13 With any luck, we should have...be pretty close to a final RFP by the end of this
14 week.

15 We'll just keep you posted on it. We'll get this out as quickly as we
16 can and go ahead and proceed with the...with what you approved last week.

17 BENNY WAMPLER: Very good. Any questions?

18 (No audible response.)

19 BENNY WAMPLER: Thank you. Thank you all for your time today.
20 I appreciate it.

21 BILL HARRIS: Thank you.

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

24

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

5 Given under my hand and seal on this the 11th day
6 of April, 2006.

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NOTARY PUBLIC

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10 My commission expires: August 31, 2009.

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