

VIRGINIA:

IN THE COUNTY OF WASHINGTON

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

OCTOBER 17, 2006

APPEARANCES:

BOARD MEMBERS:

MARY QUILLEN - PUBLIC MEMBER
PEGGY BARBAR - PUBLIC MEMBER
BILL HARRIS - CITIZEN REPRESENTATIVE

CHAIRMAN:

BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

GARY EIDE - INSPECTOR FOR THE DIVISION OF GAS AND OIL

COUNSEL:

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BENNY WAMPLER: Okay, we'll go ahead and get started. Good morning. My name is Benny Wampler. I'm Deputy Director for the Department of Mines, Minerals and Energy and Chairman of the Gas and Oil Board. I'll ask the members to introduce themselves starting with Ms. Quillen.

MARY QUILLEN: Mary Quillen, a public representative.

PEGGY BARBAR: Peggy Barbar, a public representative.

BILL HARRIS: Bill Harris, a public representative from Wise County.

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

GARY EIDE: I'm Gary Eide. I'm an inspector with the Division of Gas and Oil, but today I'm substituting for Mr. Bob Wilson who is the Director of the Division of Gas and Oil and the Principal Executive to the Staff of the Board.

BENNY WAMPLER: Thank you. The first item on today's agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit O-76. This is docket number VGOB-06-0620-1647. This was continued from September. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

(Leslie K. Arrington is duly sworn.)

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name for us.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. What do you do for them?

A. I'm manager of environmental and permitting.

Q. Okay. And do your responsibilities include the preparation of the notices of hearing and applications and related exhibits that we're going to be dealing with today?

A. Yes.

Q. With regard to unit...the application concerning unit O-76, did you either prepare the application

and exhibits or have them prepared under your direction?

A. Yes, I did.

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

A. CNX Gas.

Q. And is CNX Gas Company, LLC a Virginia General Partnership?

A. Yes, it is.

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

A. Yes.

Q. Who is it that CNX, the applicant, is requesting be the Board's designated operator if this application was approved?

A. CNX Gas.

Q. And in that regard, has CNX Gas registered with the DMME?

A. Yes, it is.

Q. And has it posted a blanket bond as required by law?

A. Yes, it has.

Q. With regard to the respondents, there was an amended notice of hearing, correct?

A. Yes.

Q. And were the respondents listed in that

amended notice and also in Exhibit B-3 to the application?

A. Yes, it was.

Q. Okay. As we sit here today, do you want to dismiss any respondents?

A. No.

Q. Are you sure?

A. B-2, oh, sorry. B-2...yes.

Q. Okay.

A. They're listed on Exhibit B-2.

Q. Okay. And we've given some amended or revised exhibits to the Board members this morning and in that package is an exhibit entitled "B-2, revised as of 10/16/2006", correct?

A. Yes, yes.

Q. Are there a list of folks there?

A. Yes, it is.

Q. Okay. And what are you requesting with regard to their status and this application?

A. That they be dismissed due to us having them leased.

Q. Okay. And in the last column on Exhibit B-2, in fact, you've indicated the reason is the---?

A. Yes.

Q. ---leases that you have been able to

obtain?

A. Correct.

Q. And then as a result of obtaining leases from these folks and no longer needing to pool them, have you also revised Exhibit B-3---

A. Yes.

Q. ---with a revision date of October the 16th, '06?

A. That's correct.

Q. And are the changes that you've made to Exhibit B-3 simply to remove the folks as respondents that you've obtained leases from?

A. Yes.

Q. Okay. What did you do to notify all of the respondents that were listed in the amended notice of hearing that we were going to have a hearing today?

A. It was mailed certified mail, return receipt May the 19th, 2006 and published in the Bluefield Telegraph May the 26th, 2006.

Q. Okay. And have you filed with Mr. Wilson or his representatives copies of the proofs of publication in the Bluefield Daily Telegraph and your certificates with regard to mailing?

A. Yes, we have.

Q. Okay. Do you want to add any respondents today?

A. No.

Q. What kind of unit is this?

A. It's a Nora. It's 58.65 acres.

Q. And it proposes how many wells?

A. One.

Q. And where is that well located---

A. Within the drilling window.

Q. Okay. And is it a frac well?

A. Yes, it is.

Q. What are the terms that you have offered to the folks that you've been able to lease in this unit?

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

Q. And would you recommend those terms to the Board to be inserted in any order it might enter if this pooling application is granted with regard to folks who are deemed to have been leased?

A. Yes, I would.

Q. Have you provided a well cost estimate?

A. Yes, we have. It's \$256,280.51 to a depth of 2,386 feet.

Q. Do you have a permit yet?

A. No.

Q. Okay. What interests have you been able to acquire on a percentage basis in this unit and what interest are you seeking to pool at this point?

A. We've acquired 93.5107% of the coal owner's claim to coalbed methane and 58.5008% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 6.4893% of the coal owner's claim to coalbed methane and 41.4992% of the oil and gas owner's claim to coalbed methane.

Q. And those percentages that you've just testified to are reported on the last page of the revised exhibits that we've provided the Board today because the percentages that you're seeking to pool have actually decreased since this was originally filed?

A. Yes.

Q. And you've filed or provided the Board with an Exhibit E, is that correct?

A. Yes.

Q. And on the Exhibit E have you indicated that there is some escrow requirements?

A. Yes. 1A, 1B, 4, 5 and 6. Escrow for unknowns in Tract 4.

Q. And in the other tracts and also in Tract 4, it's traditional conflicts---

A. Yes.

Q. Okay. ---as opposed to title issues?

A. Correct.

Q. Have any of these parties entered into split agreements?

A. No.

Q. Okay. So, we don't need to deal with that?

A. No.

Q. Is it your opinion that the plan to develop coalbed methane within and from under this unit as evidenced by the application and exhibits, which is to drill one frac well in the drilling window, is a reasonable method to produce and develop the coalbed methane from this unit?

A. Yes, it is.

Q. And is it also your opinion that if you combine the leasing efforts and the acquisition efforts that the applicants have been successful in with the Board order pooling the folks who are not leased that the correlative rights of all people would be protected?

A. Yes, it is.

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

BENNY WAMPLER: Questions from members of the

Board?

(No audible response.)

BENNY WAMPLER: I notice that you have a lot of unknown surface owners in the area. The well is not on one of those tracts?

LESLIE K. ARRINGTON: No.

BENNY WAMPLER: Are there any plans to put any of your infrastructure on any of those tracts?

LESLIE K. ARRINGTON: No.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No, I do not.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: I second.

BENNY WAMPLER: Second. Any further discussions?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from EOG Resources, Inc. for pooling of conventional gas unit PK M-24, well Plum Creek #40. This is docket number VGOB-06-0919-1715. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Tim Scott for EOG Resources. Mr. Chairman, I would request the Board's indulgence for one more continuance on this matter. We'll either go forward with it in November or dismiss the application, we're close to an agreement, I believe, if that would be okay with the Board.

BENNY WAMPLER: Any objections?

(No audible response.)

BENNY WAMPLER: It's continued.

TIM SCOTT: Thank you.

MARK SWARTZ: We're going to withdraw 57, which is the next one because we've leased the folks that we were going to pool.

BENNY WAMPLER: This is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit O-57, docket number VGOB-06-1017-1728. That is withdrawn.

MARK SWARTZ: That's correct.

BENNY WAMPLER: Okay. Next is a petition from CNX

Gas Company, LLC for pooling of coalbed methane unit W-1. This is docket number VGOB-06-1017-1731. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

MARK SWARTZ: Mr. Chairman, the next item on the docket X-1, has essentially the same respondents in it and it might make sense to combine that with this one.

BENNY WAMPLER: We'll go ahead and do that. I'll also call a petition from CNX Gas Company, LLC for pooling of coalbed methane unit X-1, docket number VGOB-06-1017-1732. We'd ask the parties that wish to address the Board in these matters to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

MARK SWARTZ: Mr. Chairman, I'd like to incorporate Mr. Arrington's testimony from the first hearing, if I could, with regard to the identity of the applicant and the operator and their status, standard lease terms and his employment.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. I need to remind you that you're still under oath.

A. Yes.

Q. These two units that we're seeking to pool, X-1 and W-1, what kind of units are they?

A. Both of them are Oakwood and both of them are 80 acres.

Q. Okay. And the plan of development in these two units is to do what?

A. One well.

Q. And where is that well located?

A. It's in the drilling window.

Q. And that's true for both wells---?

A. Yes.

Q. ---or both units?

A. Yes.

Q. Okay. The...what did you do to notify the respondents that there was going to be a hearing today?

A. In both W-1 and X-1, we mailed by certified mail, return receipt on September the 15th, 2006. In W-1, we published in the Bluefield Daily Telegraph on September the 23rd, 2006. In X-1, we published in the Bluefield Daily Telegraph on September the 25th, 2006.

Q. And have you filed proofs of publication obtained from the newspaper, as well as your certificates with regard to mailing and with regard to...concerning both of these units, with the Director?

A. Yes, we have.

Q. Do you want to add any respondents to either one of these applications?

A. No.

Q. Do you want to dismiss any today?

A. No.

Q. Okay. So, you want to go forward with the folks you've noticed?

A. Yes, we do.

Q. With regard to W-1, have you provided a well cost estimate?

A. Yes, we have. For W-1, it was \$245,354.93 to a depth of 2,690 feet. The permit number is 7425.

Q. And with regard to...again, with regard to W-1, could you tell the Board what you've succeeded in

leasing or purchasing and what it is that you're seeking to pool?

A. Yes, we've leased 99.6541% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool .3459% of the coal, oil and gas owner's claim to coalbed methane.

Q. And it looks like the folks that you're seeking to pool in both of these units are fee owners.

A. Yes, they are.

Q. So, there's no need for escrow in either unit?

A. That's correct.

Q. And it's also true..I think, that there are no split agreements that are relevant to either one of these units?

A. Correct.

Q. Is it your opinion that drilling one frac well in the drilling window of each of these 80 acre Oakwood units is a reasonable method to develop the coalbed methane from those units?

A. Yes, it is.

Q. Is it your further opinion that if you combine the leasing and acquisition efforts that have succeeded of CNX with a pooling order from the Board pooling

approximately...or pooling .3459% of the claims and interests in the unit that the correlative rights of all of the owners and claimants would be protected?

A. Yes.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Did we get the percentages in X-1?

MARK SWARTZ: No, I'm sorry. That's all I have of W-1.

Q. X-1, what's...what is the...what have you been able to acquire, Les, and what are you seeking to pool?

A. We've acquired 96.8476% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 3.1524% of the coal, oil and gas owner's claim to coalbed methane.

Q. And we've already talked about escrow. What about well estimate for---?

A. Yes.

Q. ---X-1?

A. The estimated cost is \$252,809.27 to a depth of 2,719 feet. The permit number is 7550.

Q. And you've got a permit since you originally filed, I take it?

A. Yes.

Q. And with regard to...and you talked about

there are no split agreements in this unit either.

A. That's correct.

Q. Is it your view that if you...in your opinion that if you combine the leases and acquisitions that the applicant has been able to make in unit X-1 with a pooling order pooling 3.1524% of the unit, the correlative rights of all of the owners and claimants to the coalbed methane in this X-1 unit would be protected?

A. Yes, they will be.

Q. And is it, again, your opinion that drilling a frac well in this 80 acre unit is a reasonable development plan to produce coalbed methane?

A. Yes, it is.

MARK SWARTZ: Now, that's all I think I have.

BENNY WAMPLER: Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-107, docket number VGOB-06-1017-1733. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

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

A. Yes.

MARK SWARTZ: Mr. Chairman, I'd like to incorporate Mr. Arrington's testimony from the first hearing

with regard to the identity and status of both the applicant and the operator, standard lease terms and his employment.

BENNY WAMPLER: That will be incorporated.

Q. Now, with regard to BF-107, what kind of unit is that, Les?

A. Middle Ridge. It has 58.74 acres.

Q. And what's the development plan?

A. One well.

Q. And where is it located?

A. Within the drilling window.

Q. Okay. And is it your opinion that drilling one coalbed methane well in this drilling window and fracing it is a reasonable method to produce coalbed methane from and within this unit?

A. Yes, it is.

Q. Have you filed a well cost estimate with the Board with regard to this proposed well?

A. Yes, we have. It's \$249,639.89 to a depth of 2,661 feet. The permit number 7438. The well has been drilled.

Q. Okay. With regard to the three respondents here, what did you do to notify them, and others, that there would be a hearing today?

A. We published in the Bluefield Daily

Telegraph September the 25th, 2006 and mailed by certified mail, return receipt on September the 15th, 2006.

Q. And have you filed proofs of publication that you obtained from the newspaper and your certificates with regard to mailing with the Director?

A. Yes, we have.

Q. Do you wish to add anybody as a respondent today?

A. No.

Q. Do you wish to dismiss any of the respondents listed in the notice and application?

A. No.

Q. Would you tell the Board what interests you've been able to acquire and what interests you're seeking to pool?

A. We have leased 97.312...3102% of the coal owner's claim to coalbed methane and 83.4014% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 2.6898% of the coal owner's claim to coalbed methane and 16.5986% of the oil and gas owner's claim to coalbed methane.

Q. There's an Exhibit E, correct?

A. Yes.

Q. And what...what tracts within this unit

would require escrow?

A. 1D, 1E, 1F, 1G, 1H, 1I, 1J, 1K, 1L and 1M.

Q. And the reason for escrow?

A. For conflicts.

Q. Okay. As far as...we have addresses for everybody?

A. Yes, we do.

Q. Okay. Are there split agreements in this unit?

A. Yes, for 1B and 1C.

Q. And those people are identified in Exhibit EE?

A. Yes, they are.

Q. And are you asking the Board that if this is pooled to provide in its order that the operator could pay the folks listed in Exhibit EE directly rather than escrowing the funds due them in accordance with their split agreement?

A. Yes.

Q. Is it your opinion that if you combine the acquisition and leasing efforts that have been successful on the part of CNX, the applicant, with a pooling order pooling the percentages of coal and oil and gas interests that you've testified to that the rights of claims and interests

of all people concerning coalbed methane would be protected?

A. Yes, it will be.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit YY-20, docket number VGOB-06-1017-1734. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name again, please.

A. Leslie K. Arrington.

Q. And I'm just going to remind you that you're under...still under oath. Do you understand that?

A. Yes.

Q. What kind of unit is this?

A. It's an Oakwood unit. It's in the northern...very northern edge of the Oakwood Field. It has 77.04 acres in it.

Q. And how many wells are proposed?

A. One.

Q. And it's located in the window?

A. Yes.

Q. And is it intended or expected to be a frac well?

A. Yes.

Q. Do you want to dismiss anybody as a respondent today?

A. Yes.

Q. Who would that be?

A. Equitable.

Q. Okay. And what's the reason for the dismissal?

A. The lease on Eagle Coal Corporation. They no longer have that.

Q. Okay. So, when you noticed this and originally filed it, you thought Equitable had a---

A. Yes.

Q. ---current lease from Eagle and it turns out that they don't?

A. Right.

Q. Have you provided the Board today with an amended Exhibit B-3?

A. Yes, we have.

Q. And is the amendment simply to indicate or delete any references to Equitable as having a lease?

A. Correct.

Q. Other than that, with regard to Eagle Coal, does it remain the same?

A. Yes.

Q. Have you...well, let's just stay with the acreage for a minute. Is the reason that this isn't 80 acre is because it's on a boundary and those units tend to be larger or smaller to make up the---

A. Correct.

Q. ---distance?

A. It is.

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

A. Yes, we have. It's \$254,990.36 to a depth of 2597 and the permit number is 7453 and it has not been drilled.

Q. And what did you do to notice Eagle and Equitable of today's hearing?

A. I mailed certified mail, return receipt on September the 15th, 2006 and published September the 25th, 2006 in the Bluefield Daily Telegraph.

Q. And did you...have you filed your proofs of publication that you received from the newspaper and your certificates of mailing with the Director's office?

A. Yes, we have.

Q. And what interests have you been able to acquire in this unit and what are you seeking to pool?

A. We've acquired 79.3657% of the coal, oil and gas owner's coalbed methane interest. We're seeking to pool 20.6343% of the coal, oil and gas owner's claim to coalbed methane.

Q. There's no escrow required here?

A. No.

Q. And there are no split agreements?

A. No.

Q. Is it your opinion that if you combine a pooling order pooling Eagle Coal Corporation and their interests with the folks that you've leased from or acquired interests from that the correlative rights of all people in this unit with regard to coalbed methane will be protected?

A. Yes, they will.

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

A. Yes, it is.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BILL HARRIS: I move for approval.

PEGGY BARBAR: I second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from CNX Gas Company, LLC for a modification of the Middle Ridge I Field Rules to allow drilling in an additional well in units BE-106 to BH-106, AV-135 to AV-140, AW-135 to AW-140, AX-135 to AX-140, AY-135 to AY-139, AZ-135 to AZ-137 and BA-135 to BA-137. This is docket number VGOB-00-1017-0835-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington and Rick Toothman. Mr. Chairman, could you perhaps consider combining the next item with this, which is also a modification petition, the reason being that the exhibits and testimony is going to actually pertain to both?

BENNY WAMPLER: Okay. I'll also call a petition from CNX Gas Company, LLC for a modification of the Nora Coalbed Gas Field Rules to allow drilling of an additional well in units BB-101 to BB-105, BC-101 to BC-105, BD-105 to BD...I'm sorry, BD-102 to BD-105, BE-102 to BE-105, BG-104 to BG-105, BH-104 to BH-105. This is docket number VGOB-89-0126-0009-06. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: It will also be, again, Mark Swartz, Les Arrington and Rick Toothman.

BENNY WAMPLER: For clarification for the Board members, there's one that's Nora and one is Middle Ridge. So, we'll keep that clarification as we go through here.

MARK SWARTZ: We've got some maps that Les is going to pass out, which I think will get us focused on where we are in terms of location.

(Leslie K. Arrington passes out the maps.)

MARY QUILLEN: Mr. Chairman, while he's passing those out, I have just one little question on the map. It shows here that BF-103 through 105 is included in this, but it's not listed. Is that part of this on here, but it's not listed?

LESLIE K. ARRINGTON: What happens is this is the...this is the Nora Field and then the Middle Ridge starts right here.

MARY QUILLEN: Oh, okay. So, it overlaps there.

LESLIE K. ARRINGTON: Uh-huh.

MARY QUILLEN: Okay, thanks. Thank you.

MARK SWARTZ: Actually, let's just stay with that for a minute. When you...you'll see on the handout that you all have gotten, there's sort of in the center toward the bottom of the map it says, "Proposed 30 acre Infills" and

then there's an arrow pointing in both directions. Off to the right, you've got an area that we're going to be talking about, which is the A area...the AB area. Then off to the left, we've got an area that is actually...a little tiny bit of it that's on the right hand side is in the Middle Ridge Field and that's the BF that you were talking about.

MARY QUILLEN: Right.

MARK SWARTZ: Okay. And then most of it, however, is actually in the Nora because that's the dividing line. So, that's the...we're in both of the fields, but a little piece is off to the west.

RICK TOOTHMAN: Well, the Middle Ridge, the boxes are in red and you can see the boxes in black, that's the dividing line. So, you can see it's a north/south line right through that.

MARY QUILLEN: Right. Uh-huh.

MARK SWARTZ: So, you've changed---

BENNY WAMPLER: We need to get him sworn.

MARK SWARTZ: Go ahead and swear Mr. Toothman.

(Rick Toothman is duly sworn.)

MARK SWARTZ: Okay. Was your testimony with regard to color correct?

RICK TOOTHMAN: Yeah, that was correct.

MARK SWARTZ: Okay. All right. Just to repeat,

essentially, we've got red...a red grid to the right and a black grid to the left and that's how you show Nora as opposed to Middle Ridge, correct?

RICK TOOTHMAN: That's correct.

MARK SWARTZ: Okay. Mr. Chairman, I would like to incorporate Mr. Arrington's testimony with regard to the applicant and their...its status in Virginia from the first hearing and also his employment.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Mr. Arrington, I'd ask you state your name.

A. Leslie K. Arrington.

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

A. Yes.

Q. Okay.

RICK TOOTHMAN

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Mr. Toothman, have you testified here before?

A. Yes.

Q. Just to summarize a bit with regard to what you do and your background, would you remind us who you work?

A. I work for CNX Gas Company.

Q. Okay. And what's your position?

A. I'm Vice President of Engineering and Technical Services.

Q. And what involvement, if any, do you have in reservoir engineering issues and well spacing issues and planning?

A. I basically run the geologic and engineering staff that helps make those decisions.

Q. And how long have you been with CNX, or its predecessors, performing those functions?

A. About twenty-one years.

Q. With regard to the exhibits that we've passed out today, the data that was used to prepare some of these exhibits, who prepared the exhibits and who, you know, accumulated the relevant data?

A. Myself and my staff combined to create the

exhibits.

Q. Okay. Your educational background, give us a quick synopsis of that.

A. A petroleum engineering degree from West Virginia University.

Q. Okay. And when did you get that?

A. 1986.

Q. Okay. So, was your first job with some predecessor of CNX then?

A. Yes, Conoco. The two companies were---

Q. Okay.

A. ---tied together at that time.

Q. Okay. Let's just start with the...with the exhibits and then we'll come back to some more specific testimony with regard to these applications. But the...there are some other units shown here as well. Where we've got all of the color and sort of the messy looking map, what field is that? That's to the north.

A. That's Oakwood Field.

Q. Okay. So, the Oakwood Field is, you know, roughly the top half of the map all the way from left to right?

A. That's correct.

Q. And then below it, as you've indicated,

we've got some Nora Field and some Middle Ridge Field?

A. That's correct.

Q. Okay. In the area where we're proposing the 30 acre infill, okay, what is the size of those units currently?

A. They're roughly 60 acres.

Q. Just a bit less?

A. I think just a hair less, yes.

Q. Okay. And currently what is under...whether we're under Middle Ridge or we're under Nora, what is the Board orders currently with regard to how many wells can be drilled in those units and where they should be located?

A. You're allowed one well within those units and there's a drilling window that's slightly smaller than the unit size itself.

Q. And that would be true for both fields?

A. For both fields, that's correct.

Q. Has there been drilling in the areas that are shown on this map as the proposed 30 acre infill areas?

A. There has been drilling, yes.

Q. Okay. And have you taken data relating to drilling in those areas and used it to prepare any charts or graphs to talk to the Board about today in terms of why this

might make sense to do infill drilling?

A. Yes. We have...our, I guess, application is based on actual data recorded from wells that have already been drilled.

Q. And if we look at the next page of the exhibits that you've passed out today, would you tell the Board what you have tried to show on this exhibit?

A. Yeah. What you're looking at on the second exhibit that has a...basically, an orange colored line and a red line are the two areas that we're discussing today, both BB and AV. There are twenty-eight wells in the one area and twenty-five wells in the other area. What we did was essentially, what we call it, a zero time shift, but to try to kind of get a feel for the average well performance, we showed the wells as if they came on the exact same time and then we averaged the production data. So, you can see that the BB area had produced at its peak. It's somewhere less than 125 mcf a day and it's currently producing about 80 mcf a day per well. The other area was producing about 80 mcf a day at the peak and now is doing somewhere in the neighborhood of about 60 mcf a day per well.

Q. And if we go to the next page, okay, where you've got...it's the chart entitled "Incremental Production"... actually, we need to go to last page, okay.

Let's go to the last page and then we'll come back.

Cumulative gas production for 60 acre spacing, what have you done here?

A. Well, this is basically the same...the same data that we showed on the previous graph. But what we're looking at there is the cumulative production from a typical well in those areas versus time. The reason that we did that was because we did some reservoir simulation in this area and what we wanted to do is use the actual data...the actual production data that we have received from these wells supplemented with core data that has given us some gas contents and pressure data and so forth in the area. We put that in the simulator to determine some match points so that we could basically forecast or predict the way the way the average well would behave. What you actually see in this area, we kind of split the difference. As you can tell, there are a few differences between the two areas, which could be a multitude of things. But a typical well, what this shows in that area, if you blended the results in ten years of a typical well, it would produce about a 185 million cubic foot of gas.

Q. And this assumes, based on sort of a blending of the data, because one area appears to be a little better than the other one as we saw on this graph?

A. That's correct.

Q. Okay. And you're saying that on a blended basis, one well in a...roughly a 60 acre unit, it's reasonable to assume that you're going to get about 185 million in a ten year period?

A. Yes.

Q. Okay. Then if we go back to the chart just in front of it, we've also got the same ten year period, right?

A. Yes.

Q. And we're comparing, presumably, what we saw on the one well chart to what is projected for two wells---

A. Yes.

Q. ---and what's the comparison?

A. Well, what we did here is we used the data, the actual data recorded in the field, the actual production data and it was used to set up the simulator to give us reasonable matches and that's what we've showed you on the previous page. All that work was done to set up now a hypothetical case, which is to say that we kept the same reservoir parameters that created the match and then we said hypothetically what would happen if we put a second well in these 60 acre units. We've effectively...we set or

developed the field on 30 acres. What you get there is if you take a look at one 60 acre unit, you'll still get...and that's what the black curve represents, in ten years you'll still get that roughly 180 million cubic foot of gas.

Obviously, it's the same curve. But if you drilled two wells in that unit as opposed to one, than what you would actually be getting is closer to 290 million cubic foot of gas in that same time frame. So, basically, two wells would produce in a ten year time frame and roughly a 110 million cubic foot of additional gas.

Q. And, basically, what you're looking for in terms of an analysis of the economics of the second well is subtracting the bottom, you know, number from the top number and saying, okay, we're going to get another 110 million?

A. That's right.

Q. And then I assume that you've looked at the economics of that in terms of whether or not at some, you know, reasonable rate of return that makes sense?

A. That's correct because that second well does take an incremental investment as well. So, that's exactly what we did from an economic prospective. We took a look at our per average gas price received in 2006. We took a look at this gas production versus the incremental costs to see what the economics showed and in our model they proved

very favorable.

Q. So, this additional 110 million to your model makes economic sense and is a well that you would be prepared to drill because it would pay a return that would be acceptable to your company? I mean, is that what you're--?

A. That's correct.

Q. Okay. The...and all we've looked at here really is the...is the first ten years of these wells?

A. That's correct.

Q. And would it be fair to assume that it's anticipated that the wells would produce for longer than ten years?

A. Yes, they will. They will...it's hard to say how long they would produce. But they will produce, you know, for tens and twenties and fifties years, I mean, potentially.

MARK SWARTZ: That's' all I have of Mr. Toothman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman, I do have a couple of questions. That last graph we looked at, the incremental production---.

RICK TOOTHMAN: Yes, sir.

BILL HARRIS: ---where you're looking at the 30 acre...you said that was a model...your program does that. What was that based on? Was it based on production when you have two wells in a 60 acre tract or was it---

RICK TOOTHMAN: Well, what set up the model was basically...I mean, to flip through the whole series to understand, you know, models have a lot input parameters, frac length and gas content and, of course, spacing and thickness and all of that. Well, we know the coal thickness is down in that area. We've got some data that suggests a range of gas contents. Permeability is somewhat of an unknown. So, you know, we loaded all of parameters that we knew, but we did was used the actual data, which is those two lines or if you take a look at the chart with the 60 acres---

BILL HARRIS: That's already showing the 60---

RICK TOOTHMAN: ---because that's what they're on is 60 acre spacing on average. So, that's what we did to basically tune the simulator to say these are giving us a reasonable forecast because it's based on production data once we tie all of the things that we know. So, we start guessing at the things that we don't know to match it. Once we did that---

MARK SWARTZ: No, let me stay with this.

RICK TOOTHMAN: Okay.

MARK SWARTZ: You ran your simulator to get the black line---?

RICK TOOTHMAN: That's correct.

MARK SWARTZ: ---and that was...and then you looked at your actual production, which is the orange and red lines---?

RICK TOOTHMAN: That's right.

MARK SWARTZ: ---and your simulator is between them?

RICK TOOTHMAN: That's correct.

MARK SWARTZ: So, you know, you're running a simulated and comparing it to actual, just to make sure that---.

BILL HARRIS: Yeah, I'm there, yeah.

MARK SWARTZ: Then...so, you've now validated your simulated response as within a range of reasonable, I mean, is that the program?

RICK TOOTHMAN: That's correct. That's right.

MARK SWARTZ: Go ahead and continue.

RICK TOOTHMAN: So, you know, at that point, that's all calibrated to real data, but once we did that, we don't tweak anything on the model with exception that we

tighten the spacing and we put additional wells, you know, in the field. When you do that, then it projects and basically what you're getting...we're getting individual 30 acre curves, but we multiplied it by two to give you the essence of what you're looking at on a comparison. This comparison with the black and grey line would be the production that you still get from one 60 acre unit, but now you're getting it from two wells. So, you know the individual well performance will be less, but because there's two of them combined, you'll get incremental production.

BILL HARRIS: Okay. Well, let me ask the original question again, is that based on actual data at anytime that...where you've drilled more than one well or---?

RICK TOOTHMAN: No. We don't have Board approval to drill more than one well in this area. We can't do that.

BILL HARRIS: Okay.

RICK TOOTHMAN: That's what we're here today and that's why...and that's why---.

BILL HARRIS: Well, but---.

RICK TOOTHMAN: ---we're not going for a blanket approach. We want to do a few areas and these are what I consider test areas. So, we can do that, get permission to do it and then validate the results based on actual infill

drilling.

BILL HARRIS: Okay. Another question, if I might.

BENNY WAMPLER: Yes.

BILL HARRIS: That first graph that you have, the Middle Ridge Field, there are some dotted lines, BB area well and, I guess, that means count, that first one there, the AV---.

RICK TOOTHMAN: Yeah, that's...that's what those represent. Keep in mind...and we trumpicated the data after three years here and the reason for that is those are...again, those are average productions and if it's time shift...let's just say in reality you might have a well in that area that has been on for two years and another one that has been on for four years. Well, when you put them on at the same date, that means that you've got two wells out so far, but then you're only going to have...the data's average is only going to be represented from one well. Well, if it happened...so, your data...the data at the end starts really getting skewed because if it happened to be a really good well, you know, it shows the average going way up. If it was one very poor well, you'll see the production climb and go the other way. So---

BILL HARRIS: I guess, I'm asking about the dotted

lines. I'm not sure if I understand they're stepping down and I guess I'm not...when it says, "AV area well count"---.

RICK TOOTHMAN: Well, what that's...what that's saying, in the beginning for about a year that means that all twenty-seven wells are in production, okay,---

BILL HARRIS: Okay.

RICK TOOTHMAN: ---at times zero. Once it starts dropping down, that means that average is coming from a subset of those wells because one of them has not been drilled yet.

MARK SWARTZ: It's the reverse of reality. You have more wells in the beginning of this chart than you have at the end. You drilled wells a few at a time and wound up with a bigger number, but this chart flips it and assumes that they were all on line up front, I'm right?

RICK TOOTHMAN: That's correct.

MARK SWARTZ: And then steps the well count down. That's---.

BILL HARRIS: Oh, okay, because---.

MARK SWARTZ: Okay, okay.

RICK TOOTHMAN: Because---.

BILL HARRIS: ---in time...yeah, okay, the reverse...it's the two year or four year thing that you just said. After a while, the...you start them at the same time.

MARK SWARTZ: Right.

RICK TOOTHMAN: Right. We're trying to shift them back. Even though they weren't drilled on exactly the same day, we're trying to do it that way so that we can a representative average. If not, you're going to have declines built into the time frame.

BILL HARRIS: Yeah, okay.

RICK TOOTHMAN: So, you're eliminating the time factor.

BILL HARRIS: Yeah, yeah. Okay, thank you. Thank you, Mr. Chairman, that's all.

BENNY WAMPLER: Ms. Quillen, do you have---?

MARY QUILLEN: No, he answered my question.

RICK TOOTHMAN: Okay.

BENNY WAMPLER: Other questions?

GARY EIDE: Where was the AV-140? I didn't see what you were pointing out there. You have an AV-114 area right here and then you've got an AV-140 and 135. Where are those located?

RICK TOOTHMAN: The AV-114 area is really not before the Board today. It was only there for reference because that was...that was a small area when we originally came in to supple...or to support the 60 acre units to the Board. I just put it in there more for a matter of

reference than anything was that we had some actual data there before we set up field rules and that was what we called the AV-114 area. The two areas in question are actually the ones in the...like the green color...turquoise or green. I'm not good with colors.

GARY EIDE: Where is the...you were going to drill two though in AV-135 and AV-140, according to this, and AW-135. The AWs are there, but I don't see the AVs.

MARK SWARTZ: Well, they're in the green off to the right.

GARY EIDE: I see AW, AX and AY and AZ.

LESLIE K. ARRINGTON: Yeah, it's the top row here.

RICK TOOTHMAN: AV is right above it.

MARK SWARTZ: AV is right above it.

MARY QUILLEN: It's covered up though under a red line under it.

GARY EIDE: Okay, it looked like...okay.

RICK TOOTHMAN: All you could see is the 135 on it.

GARY EIDE: Okay. So, those are AVs at the top?

MARK SWARTZ: Right.

LESLIE K. ARRINGTON: Yeah.

RICK TOOTHMAN: Right.

BENNY WAMPLER: On your...on your production

information, your modeling, was all of that on Middle Ridge?

RICK TOOTHMAN: No. The two...the two units are...the red represents the BB area, which is the color of the actual wells on 60 acres and on the Nora field. The orange area, the AV area is actually the area in the Middle Ridge. That's the actual...actual data from both fields that were used. Like I said, for modeling purposes we just...we didn't try to match each one individually. You'll see it gets somewhat of a range of results. But in all cases, you can kind of forecast the curve slightly different and you'll come to the same conclusion.

BENNY WAMPLER: So, when your information that you handed us says "Middle Ridge", it's not Middle Ridge. It's Middle Ridge and---

RICK TOOTHMAN: It should be Middle Ridge and Nora, yeah.

MARY QUILLEN: And Nora.

RICK TOOTHMAN: Well, I called it Middle Ridge because I still had three units in the Middle Ridge, but that's correct.

BENNY WAMPLER: How did you select just going BB and AV, explain that, when you have a lot of other units here involved?

RICK TOOTHMAN: Les, do you want to do that? I

mean, I can do it from a geologic standpoint, but there was more reasons than that.

LESLIE K. ARRINGTON: Yeah. One of the reasons we done these others, it had a smaller group of people of owners within these two areas and that was one of the reasons we selected these two areas and actually the shape of it. It was fewer people in an area that we felt that we could get in and test quicker with fewer people in it and see what we've got.

BENNY WAMPLER: I guess, my question is really going back to you.

RICK TOOTHMAN: Okay.

BENNY WAMPLER: That was a good handoff. But I---

RICK TOOTHMAN: Well, there's some geologic... there's some geologic reasons as well.

BENNY WAMPLER: I'm looking at...you've given a representative of BB and of AV and you're asking us to approve BC and BD and BE and BG---

RICK TOOTHMAN: No, no, no. We're just calling that the whole area AV. That's...all the twenty-eight wells that are in there is...the production...the average production data is from all twenty-eight units. We're just calling it the AV area because we can't call it the AV-102,

103, 104 area or whatever. So, that whole area is represented by production data and this whole area is represented by production from individual wells in each of those units there.

BENNY WAMPLER: And let me ask him one more question. And your model averaged all of that?

RICK TOOTHMAN: That's correct. What...what the model did is it was already averaged on the first page that we've talked about with the time zero because, obviously, each well will...will produce slightly different. But what we did there is we took the actual data and averaged it first and said here is the average response of the twenty-eight wells in this particular area and then we modeled that based on the coal thickness that we know, the gas content and all of the parameters in that area to come up with a match that represented the average performance of a well in that area...you know, any individual performance can change traumatically.

BENNY WAMPLER: Have you ever done this before in any other fields?

RICK TOOTHMAN: Yes.

BENNY WAMPLER: You've averaged to different field rules' segments and all the wells in those---?

RICK TOOTHMAN: Well, you know, we say field rule

segments, but essentially the two rules are synonymous. They're both...in this case, in my opinion, we've got a hypothetical line that's running north/south. But the Nora field and the Middle Ridge field are set up on 60 acre...roughly, 60 acre square units. They're identical to one another. So, there was really no reason to separate them in my mind, not from..not any technical reasons that I can think of.

BENNY WAMPLER: The production that you're seeing from actual wells in the Middle Ridge and Nora are essentially the same? Is that what you're telling me?

RICK TOOTHMAN: Yeah, I think...I mean, I think I'm saying that this particular area of the Nora field is slightly lower than that particular area of the Middle Ridge and that's what we're after. We didn't try to represent every well. We've drilled a lot more wells in the Middle Ridge field than what we're showing you here today. But we didn't attempt to model everything because we weren't, basically, approaching the Board about infill drilling or anything else at this time.

BENNY WAMPLER: Are you also implying that there is no geologic difference between the Middle Ridge and the Nora field?

RICK TOOTHMAN: No. I think that...I think that

there can be some differences. That's most likely the reason that there's subtle difference in the average performance of the two. Coal thicknesses is not significantly different. I think the coal thickness in one...in the better area there, in the BB area is actually 38 feet on average. The coal thickness in the AV area from all of those wells combined was around 34 feet in the AV area. But, geologically, there is an anti-cline that runs north of those units. So, there's...you know, we don't have enough data as far as measurements or actual permeability. There is always...I mean, that can change from well to well not along field to fields. So, I wouldn't want to make that statement either way.

BENNY WAMPLER: Do you want to make this as Exhibit A? Other questions from members of the Board while I'm thinking how to frame my other question?

(No audible response.)

BENNY WAMPLER: On page three of your...they're not numbered, but I'm going three pages in of your Exhibit A. And you're saying...I'm just going to ask you again, I think you've answered this, but for clarification, incremental production 30 acre versus 60 acre, that's for both Nora and Middle Ridge combined---?

RICK TOOTHMAN: Yes.

BENNY WAMPLER: ---your model combined that?

RICK TOOTHMAN: Yes.

BENNY WAMPLER: Is that also true for the last page in your exhibit titled "Cumulative Gas Production for 60 Acre Spacing"?

RICK TOOTHMAN: Yes. Yeah, I mean, that's really the way it was built was using that page first to the other page, but that is correct. I mean, if I was to project just on my own, I'd say that, you know, AV area actual is probably going to be about 165 to 170 versus the 185. In the BB area, which is the Nora field, it's probably going to be a little bit on the higher side around to 200 to 205 million. That's what I'm saying. We didn't need to run a bunch of incremental cases because the net effect on the other side, if we averaged the two, you're going to get the...you get the same response with the 30 acres. If you're going to run the average, which will change every well, you're probably saying that I'm somewhere between 95 and 125 million extra cubic foot of gas due to the infill depending on location to location in ten years.

BENNY WAMPLER: In the other areas where you have been approved to drill a second well, have you...have you modeled that and compared the models? In other words, is this...is it validating this model as far as the

additional...the percent of additional increase with the second well?

RICK TOOTHMAN: Yes...yes, it is. Now, we have approval in some areas, but we don't have enough data to draw that conclusion yet. But some of the areas that we...that we've got substantial data or at least data for longer than a year, they are certainly supporting the conclusions that we've made or drawn from the model.

BENNY WAMPLER: Mr. Eide, do you have any questions of this witness?

GARY EIDE: These orders will stipulate that both wells will be drilled in the window and 600 feet apart just like the original, right?

MARK SWARTZ: It's in the application. Yes.

GARY EIDE: Okay.

BENNY WAMPLER: Other questions from members of the Board of this witness?

MARY QUILLEN: Mr. Chairman, I have just one question. In other areas that are...have the same geologic information, how close are they to these two areas here where you already have wells drilled that have similar conditions?

RICK TOOTHMAN: We don't have any wells drilled on 30 acre spacing. I say that with the exception that we

drilled some wells that would probably approximate that up in the Oakwood field that was within the mine plan. So, where we put wells, we basically had the permission to put wells very close together. The only thing that I can tell you is that based on my experience what we're advocating here today may even be conservative, but what you generally get is, you know...you'll get quicker interference between the wells which promotes up-front gas production. At the end, because you've got more wells in there you're going to draw the average reservoir pressure to a lower extent and with coalbed methane that means you're going to release additional gas that you previously would have left behind.

So, you know, I don't have any actual data that's really anywhere close to that just because we don't have permission to do any of that. The closest that we'd have is in the Oakwood field in some of these areas that you see in the yellow and the pink. We're starting to put some wells there on 40 acre spacing. The application was very similar just because there was already existing field rules. It was easier to petition the Board to put a second well in the existing unit than try to go out and just throw everything away and start over again. But we have seen some very traumatic responses. If I was going to show the map, some very traumatic responses---

MARY QUILLEN: In the other fields?

RICK TOOTHMAN: ---in the other fields up in this area. Yes, ma'am.

MARY QUILLEN: Okay.

BENNY WAMPLER: Other questions of this witness?

(No audible response.)

BENNY WAMPLER: Mr. Swartz?

MARK SWARTZ: I sense some questions coming from the Board perhaps because our approach to this application, Rick, in terms of the modeling and the data is different than the approach that you employed in the Oakwood Field and I want to talk about that for a minute. In the Oakwood Field, we had maps where you inset data and you were able to plot the performance of the first well in the unit and then plot the performance of the second well in the unit because we had mining that allowed us to drill on...mining operations that allowed us to drill on smaller spacing, okay?

RICK TOOTHMAN: That's correct.

MARK SWARTZ: And so you had actual data in Oakwood because of the mining were you could actually show the Board graphically that a second well on...additional wells on increased density basis had sort of a synergistic effect on the performance of the wells. I mean, do you

remember that presentation and that data and that discussion?

RICK TOOTHMAN: The original Oakwood field rules allowed us to drill on closer spacing to collect that data. We can't do that in this field rule unless we're given... granted access to drill on 30 acre spacing. I believe that...I believe the Board has already heard a separate petition at an earlier meeting by Equitable to essentially do the same thing in an area that's further west in the Nora field and not to modify the entire Nora field, but to give them the flexibility to drill some wells on closer spacing to collect data to see what the results may be.

MARK SWARTZ: Okay. But what I'm really looking at is just the reason for the different data and the different approach today. Today, since we have different data, we have one well data. We don't have increased density data like we had in the Oakwood. You indicated to the Board that the differential that something between 95 and 125 that that differential was conservative. Would that be because your model does not take into consideration the synergistic effect on production that we've seen in the Oakwood? Would that be a reason---

RICK TOOTHMAN: Yes.

MARK SWARTZ: ---for saying it was conservative?

RICK TOOTHMAN: Yeah. One of the things that we do is we assume that we don't effectively stimulate absolutely every coal seam and that's reasonable with just completion practices. I guess from a statistical standpoint, if you put two wells in and you treated them uniquely, there's always a potential that you may get into a coal that you didn't efficiently stimulate in that...in well A and maybe you did in well B. So, what you could get is some...you know, you might complete some coals that you're...that you're not getting a lot of production out of right now. That's one of the upsides, but we didn't build that into the model to supplement anything there. That was...that was something that...that's why I said conservative.

MARK SWARTZ: I sort of sensed, Mr. Harris, from your questions that you were curious as to why the approach seemed to be different than what you were familiar with and I just...would it be true that you basically have taken two different approaches because the data is different?

RICK TOOTHMAN: Well, I think the approach is the same. The only thing is is that you're able to validate the infill drilling with actual data. Here, we validated everything that we could validate up front and then we had to use a mathematical model to assume what's going to happen

on 30 acre spacing. We have no other way of doing that until we drill a well.

MARK SWARTZ: I don't know if that helps or not, but I was trying to---.

BILL HARRIS: All right. Yeah, it does. Although, I'm a little confused about using actual data versus hypothetical data. It's not really hypothetical data. It is actual data and I'm not sure how to reason it out in my mind. Let me ask you about the model though, where does the model come from? Is this an industry standard model or is this one developed by your company or is it---?

RICK TOOTHMAN: No. It's not our model. There are...there are a couple of different models that are out there that are commercially available that are very complex mathematical models. But, basically, for what they call dual (inaudible) reservoirs, which coalbeds certainly fit into. They're used just as that. We use them in a lot of our ventures and other areas as well. You know, where you don't have...you calibrate everything that you can from actual data. That's what I'm saying. We do have gas content data in this area. So, we're not guessing at that. There's a range. It varies, but we have gas content data. We know what our well spacing is. That's a known. We know

the thickness of the coal. We've drilled many, many wells down here and taken many cores. So, we know the thickness. So, all those things are actuals, that's real data. Some of the things that you don't know is...which can change from location to location, is the permeability of the coal. You know, how...how well it's interconnected or fractured, so to speak. Again, that will change. What we do...if we would model one well, you would see a range of permeabilities. We know what the acceptable range is and what we try to do is represent kind of the average, the typical case, because all CBM wells...as you can see from the drilling in this application, it's not a...it's not a one or two well game. It's a pretty much a statistical play. You need to drill it all. So, that's what...that's what goes into the models, like I said. So, you're tying it to real data.

BILL HARRIS: Yeah, okay. Well, Mr. Wampler asked a question earlier about using the model in the areas that you have drilled, although, the spacing was different and the number of acres was different. But if you took the data...if you took the model and dropped it onto the...well, maybe...let me say it backwards, the other way...if you took the data that you do have on wells that have been drilled and dropped that into the model, does the model accurately predict the increased production in those areas that you

already have---?

RICK TOOTHMAN: Well---.

BILL HARRIS: I guess, we're...I guess...I'm kind of puzzled about the model and how---.

RICK TOOTHMAN: ---let me...let me answer that question. Let me answer this question. In AV-114 area, when we originally set up the Middle Ridge field rules on 60 acres, the original petition for Oakwood to go to 40 acre infills was in that AV-114 area. What we did...because you can see that that area that's roughly square is divided into the Middle Ridge field. There's three or four layers of units there that were 60 acre wells. To the north of that, those wells were set up on 80 acres. So, again, we had 60 acre performance and 80 acre performance and we ran some reservoir simulation to justify the tighter spacing in the Middle Ridge at the time. I went back and looked at that data before we made this application and its like five years later and the same type of curve that I'm showing you in Exhibit A, as far as...let me go to the very last page, the actual simulated curve, without changing any of the parameters, we're almost just dead on after five years with that mathematical model.

BILL HARRIS: Yeah. That's what I needed to hear.

RICK TOOTHMAN: So, that and with these other two

areas, gives me quite a bit of confidence that---

BILL HARRIS: Yeah. That's what I needed to hear.

RICK TOOTHMAN: Now, the permeability of that area is slightly better and we know that. We know that going in because there's an anti-cline running through there. So, we did have to back off the permeability because the average results of these two areas were slightly less. But the model has done a very...very good job of forecasting what we expect from those areas.

BILL HARRIS: Thank you.

BENNY WAMPLER: One of the concerns, and the reason I was picking at you on a number of these, was, of course, one was to just clarify what you gave us and to make sure we had a good record for that.

RICK TOOTHMAN: Right.

BENNY WAMPLER: But the other was that Middle Ridge hadn't had increased density wells before and you chose to combine. I was trying to make sure, and I would ask you, did you ever run a separate model for the Middle Ridge before you chose to combine the two?

RICK TOOTHMAN: You're...you're saying the two applications today, Mr. Wampler?

BENNY WAMPLER: Yes. Because you combined...you chose to combine---

RICK TOOTHMAN: We did.

BENNY WAMPLER: ---an area that had never had increased density with an area where you had some experience of increased density.

RICK TOOTHMAN: No, we don't have any experience in the Nora field in increased density. We don't. I think the first application, I may be wrong, that's out there, and I don't know that any drilling has taken place yet, is Equitable's application.

MARK SWARTZ: I think that's true.

RICK TOOTHMAN: So, Nora is also 60 acres. The Nora skirts the edge of our mining complex on the western edge, so we don't have any increased density in that field either.

BENNY WAMPLER: I thought...I thought earlier though we had heard that in the Nora you had enough information where you were skirting that to accurately predict that.

RICK TOOTHMAN: I don't believe I said that.

BENNY WAMPLER: Maybe not.

RICK TOOTHMAN: Yeah. Let me clarify it, the only data that we have of wells that are closer than 60 acre spacing currently is in the Oakwood field where the original field allowed us to put wells as close as we wanted due to

the safety and productivity of the mines. Anything outside of that...of that field, that Oakwood field, the rules have been 60 acre spacing and to my knowledge CNX Gas nor any other operator has drilled any wells closer than that.

BENNY WAMPLER: I believe that to be true. But here, again...I had asked you earlier...just for clarification, I had asked you earlier were you suggesting that Middle Ridge and Nora were now the same because geologically when we set up the field rules initially, there was geologic reason to have separate field rules.

RICK TOOTHMAN: The...I can't...I can't completely answer that.

BENNY WAMPLER: I'm going at, why were these so easily combined, again? That's the only trouble I had with it.

RICK TOOTHMAN: Yeah. Well, I guess...I mean, I guess, it was easier to just add another field. The Nora field originally didn't extend over into this area, nor the Oakwood. It was just an area that was...that was not covered. Instead of modifying the Nora field rules, they set up an additional field, which was Middle Ridge. But in all...just about in all essence, the field rules were established exactly the same. I think I'm correct in saying that. But we only had...there were no field rules...when

Oakwood and Nora were kind of set up, you know, at a similar time frame this area was not even---

MARK SWARTZ: It was statewide spacing.

RICK TOOTHMAN: Yeah. It wasn't thought of at that time.

BENNY WAMPLER: I understand that. Any other questions of this witness?

(No audible response.)

BENNY WAMPLER: Mr. Swartz, back to you.

MARK SWARTZ: I'm done.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Mr. Chairman, I move for approval of the petition.

PEGGY BARBAR: I'll second.

BENNY WAMPLER: Motion is second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

MARK SWARTZ: Thank you.

AUDIENCE: Mr. Chairman, can we get a copy of that paper there that they had?

BENNY WAMPLER: Yes. It will be at the Gas and Oil office. You can copy all of the records that would be there. Next is a petition from Equitable Production Company for pooling coalbed methane unit VC-536506. This is docket number VGOB-06-1017-1735. We're going to take a five minute break.

(Break.)

BENNY WAMPLER: Okay. We're back on the record. I'd call the meeting to order. The item has been called. There's no others. You may proceed.

JIM KAISER: Mr. Chairman and members of the Board, Jim Kaiser and Don Hall on behalf of Equitable Production Company. We'd ask that Mr. Hall be sworn in at this time.

(Don Hall is duly sworn.)

DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, if you would state your name for

the record, who you're employed by and in what capacity?

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

Q. Do your responsibilities include the land involved in this unit and in the surrounding area?

A. They do.

Q. Are you familiar with Equitable's application seeking to pool any unleased interest in the unit for EPC well number VC-536506, which was dated September the 15th, 2006?

A. Yes.

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

A. We do.

Q. And prior to the filing of the application, were efforts made to contact each of the respondents with an interest in the unit and an attempt made to work out a voluntary lease agreement with each of them?

A. Yes.

Q. What is the interest under lease to Equitable within the gas estate in this unit?

A. We have 42.49% leased.

Q. And what is the interest of Equitable under lease in the coal estate within the unit?

A. We have a 100% leased.

Q. Are all unleased interest parties set out at Exhibit B-3?

A. They are.

Q. Are you familiar with the ownership of drilling rights of parties other than Equitable underlying this unit?

A. Yes.

Q. And the percentage of the gas estate that remains unleased is 57.51?

A. That's correct.

Q. And, again, the coal estate is a 100% leased, correct?

A. That's correct.

Q. Okay. Okay, we don't have any unknown or unlocateable parties or interest owners within this unit?

A. No.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

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

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

A. They do.

Q. Now, as to the interest owners respondents in Tract 2 of the gas estate, which is the unleased portion of the unit, do you recommend that they be allowed the following statutory options with respect to their ownership interest within the unit: 1) Participation; 2) a cash bonus of five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and

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

A. Yes.

Q. Do you recommend that the order provide that elections by any respondents be in writing and sent to the applicant at Equitable Production Company, 1710 Pennsylvania Avenue, P. O. Box 2347, Charleston, West Virginia 25328, Attention---

(Jim Kaiser confers with Don Hall)

A. Leslie Smith, just recently left the company. I'm not sure exactly who we'll be sending that information to at this point.

Q. Is Melanie still there?

A. Yeah.

Q. Let's go with Attention: Melanie Freeman,
Regulatory.

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

A. Yes.

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

A. Yes.

Q. Should the unleased respondents be given 30
days from the date that the Board order is received by them
to file their written elections?

A. Yes.

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

A. Yes.

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

A. We do.

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

A. Yes.

Q. Do you recommend that the pooling order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs, then that election to participate should be treated as having been withdrawn and void and such respondent should be treated as if no initial election had been filed under the force pooling order, in other words, deemed to have leased?

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to the payment of well costs, any cash sum due to that respondent be paid within 60 days after the last date on which that respondent could have paid those well costs?

A. Yes.

Q. Okay. In this particular case, we don't have any...yeah, we do have conflicting don't we.

A. We have a conflicting, yes.

Q. So, the Board does need to establish an

escrow account as depicted at Exhibit E to the application covering Tract 2, is that correct?

A. That's correct.

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

A. Equitable Production Company.

Q. And what is the total depth of the proposed well?

A. 3290 feet.

Q. The estimated reserves for the unit?

A. 300 million cubic feet.

Q. Are you familiar with the well costs for this well?

A. Yes.

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

A. Yes.

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

A. It does.

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

A. The dry hole costs is \$64,150 and the total costs is \$389,837.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: I'll second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a
petition from Equitable Production Company for pooling of
coalbed methane unit VC-502567. This is docket number VGOB-
06-1017-1736. We'd ask the parties that wish to address the
Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and
Don Hall for Equitable Production Company. In this
particular unit, we're pooling the exact same folks. They
just...in this case, they own Tract 3 instead of Tract 2.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, again, you're employed by
Equitable in what capacity?

A. As District Landman.

Q. And do your responsibilities, again,
include the land involved in this unit and in the
surrounding area?

A. They do.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest within the unit for EPC well VC-502567, which was dated September 15, 2006?

A. Yes.

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

A. We do.

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

A. Yes.

Q. What's the percentage in the gas estate that's under lease to Equitable in this unit?

A. We have 99.23% leased.

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

A. 100%.

Q. And all unleased parties are set out in Exhibit B-3 to the application?

A. That's correct.

Q. So, the only interest that remains unleased is that represented by Tract 3 in the gas estate, which is

0.77%?

A. That's correct.

Q. Okay. Again, we don't have any unknown or unlocateable interest owners, right?

A. Right.

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

A. They are.

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

A. Yes.

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

A. Yes.

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

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

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

A. They do.

JIM KAISER: Now, Mr. Chairman, as to the statutory election options afforded the unleased parties as listed in Exhibit B-3, we would ask...and their time frames in which to make those elections and the ramifications of those elections, we'd ask that the testimony taken previously this morning in docket number 1735 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, I guess we've got an escrow situation for Tract 3.

A. That's correct.

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

A. Equitable Production Company.

Q. The total depth for this well?

A. 3375 feet.

Q. The estimated reserves?

A. 330 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. The dry hole cost is \$159,932 and the completed well cost is \$393,167.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is that proposed well inside or outside the drilling window?

JIM KAISER: It's close, isn't it?

BENNY WAMPLER: Uh-huh.

JIM KAISER: I'm going to say it's inside.

DON HALL: It's---.

JIM KAISER: But if it's not, when they file their permit, they'll ask for an exception.

DON HALL: It was---.

BILL HARRIS: Oh, it that right?

DON HALL: Well, it was permitted in June.

JIM KAISER: Okay.

DON HALL: It has already been permitted, yeah.

BENNY WAMPLER: I couldn't tell by the line. Any other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask, again, Mr. Chairman, that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Motion is second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling coalbed methane unit VC-536507, docket number VGOB-06-1017-1737. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Don Hall and Jim Kaiser. Again, we're pooling the exact same parties. This time they're even in Tract 3 again. This particular well is outside the interior window and a location exception has been requested in the application for the permit that's pending, I think, at this time.

DON HALL: Right. That's correct.

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with the application that we filed seeking to pool the unleased interest in the unit for VC-536507, dated September 15, 2006?

A. Yes.

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

A. We do.

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

A. Yes.

Q. What's the interest of Equitable under lease within the gas estate in this unit?

A. We have 77.98% leased.

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

A. A 100%.

Q. And are all unleased parties set out in Exhibit B-3?

A. They are.

Q. So, the percentage of the unit that remains unleased is 22.02% of the gas estate, is that correct?

A. That's correct.

Q. Okay. Again, we don't have any unknown owners?

A. No.

Q. And the addresses set out in Exhibit B, to

your knowledge, are the last known addresses for all of the respondents?

A. Yes.

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

A. That's correct.

Q. Are you familiar with the fair market value of drilling rights in this unit?

A. Yes.

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

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

Q. Okay. And the terms that you've testified to, in your opinion, represent the fair market value of drilling rights within this unit?

A. Yes.

JIM KAISER: Again, Mr. Chairman, as to the statutory election options afforded the unleased parties in Tract 3, we'd ask that the testimony taken in item or docket number 1735 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, again, here the Board does need

to establish an escrow account because we have a conflicting claim in Tract 3, is that correct?

A. That's correct.

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

A. Equitable Production Company.

Q. The total depth of this well?

A. It's 3466 feet.

Q. The estimated reserves?

A. 330 million cubic feet.

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

A. Yes.

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

A. It does.

Q. Again, state both the dry hole costs and completed well costs for this well?

A. The dry hole cost is \$155,989 and the completed well cost is \$376,863.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge

for supervision?

A. Yes.

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

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling of

coalbed methane unit VC-536508, docket number VGOB-06-1017-1738. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall for Equitable. Again, we have the same five parties that are unleased. This time they're in Tract 4. This will be the last one that involves that family or group of folks.

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with Equitable's application seeking to pool any unleased interest in the unit for EPC well number VC-536508, dated September 15, 2006?

A. Yes.

Q. Does Equitable own drilling rights in this unit?

A. We do.

Q. And prior to the filing of the applications, were efforts made to contact each of the respondents within the unit owning an interest and an

attempt made to work out a voluntary lease agreement?

A. Yes.

Q. Now, what's the interest under lease to Equitable in the gas estate within this unit?

A. We have 99.18% leased.

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

A. 100%.

Q. And all unleased parties are set out in Exhibit B-3 to the application?

A. They are.

Q. So, the only thing that remains unleased is 0.82% of the gas estate?

A. That's correct.

Q. And, again, we don't have any unknown or unleased...unknown or unlocateable parties?

A. That's correct.

Q. Okay. And the address as set out in Exhibit B to the application, to the best of your knowledge, are the last known addresses for the respondents?

A. They are.

Q. Are we requesting the Board to force pool all unleased interest listed at Exhibit B-3?

A. Yes.

Q. Again, what's the fair market value of drilling rights in the unit here?

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

Q. In your opinion, do the terms you've testified to represent the fair market value to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Again, Mr. Chairman, as to the statutory election options afforded the unleased parties represented in Tract 4, we ask that the testimony previously taken in docket number 1735 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, the Board does need to establish an escrow account for any proceeds attributable to the conflicting interest in Tract 4, correct?

A. That's correct.

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

A. Equitable Production Company.

Q. The total depth of this proposed well?

A. It's 3261 feet.

Q. The estimated reserves?

A. 330 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. The dry hole costs is \$171,771 and the completed well cost is \$399,928.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536448. This is docket number VGOB-06-1017-1739. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Don Hall on behalf of Equitable Production Company.

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, before we get into your testimony, can you explain for the Board why we've got a new plat?

A. The plat that was filed with the application was not numbered to correspond to the exhibit. This one has been corrected by adding the numbers.

Q. Okay. So, even though it's busy, it will be a little more easy to follow?

A. Right. Yes, the numbers on there will correspond to the exhibit and the application.

Q. Okay. And the drill site is outside the window, but it is on Tract 1, correct?

A. That's correct, yes.

Q. What's the permit situation on this well?

A. The permit application has been filed. It has not been issued yet.

Q. All right. We sought a location exception in that process?

A. That's correct.

Q. And you're familiar with the application that we filed seeking to pool any unleased interest in the unit for this well, being VC-536448, which was dated

September 15, 2006?

A. Yes.

Q. Correct?

A. Yes, that's correct.

Q. And, in fact, the only unleased interest is represented in Tract 5 of the gas estate, the interest owned by Roger Breeding?

A. That's correct.

Q. Okay. And does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And prior to filing the application, were efforts made to contact each of the respondents owning an interest and an attempt made to work out a voluntary lease agreement with them?

A. Yes.

Q. So, what is the interest of Equitable in the gas estate in this unit under lease?

A. We have 79.67% under lease.

Q. And the interest under lease to Equitable within the coal estate?

A. 100%.

Q. Okay. And is the one unleased party set out at Exhibit 3...B-3 to the application?

A. Yes.

Q. And so that means the interest represented in Tract 5 in the gas estate that remains unleased is 20.33%?

A. That's correct.

Q. Okay. Again, we don't have any unknown or unlocateable parties in this unit, do we?

A. No.

Q. Okay. And the addresses set out at Exhibit B to the application, to the best of your knowledge, are the last known addresses for the respondents?

A. Yes.

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

A. Yes.

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

A. Yes.

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

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

Q. In your opinion, do the terms you've

testified to represent the fair market value of drilling rights for this unit?

A. They do.

JIM KAISER: Mr. Chairman, again, as to the statutory election options that will be afforded Mr. Breeding, we'd ask that the testimony previously taken in docket number 1735 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Okay. In this particular case, we have a conflicting claim, I guess, just to Tract 5, don't we?

A. That's correct.

Q. So, the Board needs to establish an escrow account for any proceeds attributable to Tract 5?

A. That's correct.

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

A. Equitable Production Company.

Q. And the total depth of this proposed well?

A. 2583 feet.

Q. The estimated reserves for this unit?

A. 250 million cubic feet.

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

A. Yes.

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

A. It does.

Q. And could you state for the Board both the dry hole costs and completed well costs for this well?

A. The dry hole costs is \$99,118 and the completed well costs is \$279,848.

Q. And do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: I have a question about the plat,
the one that you handed out.

DON HALL: Uh-huh.

BILL HARRIS: And, I guess, the Tract 3, I don't
see a property line there and maybe I'm missing something.

DON HALL: At the end of where it says coal
lessee, you see a line extending out. It's an arrow point--
-.

BILL HARRIS: Oh, okay. So, that's---.

DON HALL: Pointing to that little---.

BILL HARRIS: Oh, that---.

DON HALL: ---minute V there.

BILL HARRIS: The tip of the arrow.

DON HALL: That's .01 acres.

BILL HARRIS: Um, okay.

DON HALL: Just barely...just barely connected to
the unit.

BILL HARRIS: Yeah. Right under that IP, the iron
pin---.

DON HALL: Right, yes.

BILL HARRIS: ---designation. Okay, thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved with the submission of the numbered plat...or the inclusion of the numbered plat.

BENNY WAMPLER: That's Exhibit A. Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for creation and pooling of conventional gas unit V-536797, docket number VGOB-06-1017-1740. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, it will be Don Hall and Jim Kaiser on behalf of Equitable Production Company. We have a revised set of exhibits, BB-3 and E.

(Don Hall passes out revised exhibits.)

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Mr. Hall, before we get into your standard testimony, explain the revised set of Exhibits for the Board.

A. Just a couple minor changes. In Tract 5, on the first page, Clinton Freeman, the original...the original exhibit listed his wife, Lula, who has since deceased. We were notified that she is deceased. So, we corrected the exhibits just to reflect him. On page two of Exhibit E, the original exhibit, the total percentage at the bottom of the page...well, actually, it didn't change. It's .88%. So, the only change, in effect, is the omission of the one deceased party.

BENNY WAMPLER: Just a question on that as to whether or not you had adequate proof that there was a right of survivorship. Did they provide anything to you or just tell you that she was deceased?

DON HALL: Well, they both...they both were

leased. They are under lease. The lease takes care of that situation.

BENNY WAMPLER: All right. Thank you.

SHARON PIGEON: And your testimony is that your lease provided for that?

DON HALL: They...they both signed the lease. They will provide...if there's anything different from the survivorship or if they left Will, it's their obligation to notify us through the lease terms.

JIM KAISER: And any heirs or intestate---

DON HALL: Right.

JIM KAISER: ---people would take by intestate succession would be subject to the lease.

DON HALL: Right.

Q. Do you want to go ahead, before we get into the testimony, and explain why were have Tracts 5, 6...Tracts 5 and 6 set out like they are?

A. We have an overlapping situation with the Tract descriptions. We set those out...those overlap areas out as separate tracts because of the potential conflicting claim to those two tracts.

Q. And we have those shaded in the plat---

A. That's correct, yes.

Q. ---to represent that?

A. Uh-huh.

Q. So, they represent potential title conflicts?

A. That...that's correct, yes.

Q. Okay. All right. So, you're familiar with, obviously, with the application we filed seeking to both establish a unit and pool any unleased interest for EPC well V-536797, dated September 15, 2006?

A. Yes.

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

A. We do.

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

A. Yes.

Q. And what is the interest under lease to Equitable in this unit?

A. Depending on the determination as to the overlapped areas, we either have 98.14066667% leased or we have 97.96047619%

Q. Can you say that again?

A. No.

SHARON PIGEON: Yes. Can you say that again?

A. Do you need it really?

Q. No, I'm serious.

A. Oh, okay. We have 98.14066667% leased or we have 97.96047619% leased and that's reflected in the exhibit at the bottom of the page.

Q. It should be reflected in both B and B-3, right?

A. Yes, and page four of Exhibit B that those percentages are reflected.

Q. All right. And are all the unleased parties set out in Exhibit B-3?

A. Yes.

Q. Okay. And what is the percentage of the unit that remains unleased to Equitable?

A. Depending on the determination of the two overlapping areas, we either have 1.8593333% leased or...or unleased or 2.03952381% unleased. Again, that's also reflected at the bottom of page four in Exhibit B.

Q. Okay. And we don't have any unknown or unlocateables in this unit, correct?

A. That is correct, yes.

Q. Why do we have an E then?

A. Because of the---

Q. Because of the conflicting title?

A. ---overlapping tracts.

Q. Are the addresses set out in Exhibit B to the application, to your knowledge, the last known addresses for the respondents?

A. They are.

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

A. Yes.

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

A. Yes.

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

A. We pay a five dollar bonus on a five year term and one-eighth royalty.

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

A. They do.

JIM KAISER: Mr. Chairman, again, as to the statutory election options afforded the unleased parties as set out in Exhibit B-3, we ask that that testimony previously taken in docket number 1735 be incorporated for

purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Okay. In this particular case, Mr. Hall, the Board does need to establish an escrow account because of the conflicting title situation to cover any proceeds attributable to either Tract 5 or 6, right?

A. That's correct.

Q. 5 and 6, correct?

A. That's correct.

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

A. Equitable Production Company.

Q. And what's the total depth of this proposed well?

A. 5396 feet.

Q. The estimated reserves for the unit?

A. 300 million cubic feet.

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

A. Yes.

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

A. It does.

Q. Could you state both the dry hole costs and

completed well costs for this well?

A. The dry hole costs is \$228,585 and the completed well costs is \$441,680.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Mark this as Exhibit One. Any questions from members of the Board?

BILL HARRIS: Mr. Chairman, I just have one for personal information.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: About the addresses, I guess, your military address is...your Exhibit B that you handed out, the last one, the Salyers. The APO, is that---?

DON HALL: It's a military address.

BILL HARRIS: Is the...is that the way those are normally written?

DON HALL: Yes.

BILL HARRIS: Okay. Thank you. That was all.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved with the addition of Exhibit One.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for creation and pooling of conventional gas unit V-535962. This is docket number VGOB-06-1017-1741. We'd ask the parties that wish to

address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall for Equitable Production Company.

BENNY WAMPLER: Don, could you slide some your paperwork over? At this point, we'll just ask you to identify yourselves.

MICHAEL BURTON: My name is Michael Burton. I'm a landowner.

ROBIN HOLMES-BURTON: And I'm his wife, Robin Holmes-Burton. We're from St. Paul.

BENNY WAMPLER: Okay, thank you. We'll have them go forward and then we'll give you an opportunity to ask questions. You may proceed.

DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, your land...do your responsibilities include the land involved here and in the surrounding area?

A. It does.

Q. Are you familiar with Equitable's application seeking to establish a unit and pool any unleased interest within that unit for EPC well number V-535962---?

A. Yes.

Q. ---which was dated September 15, 2006?

A. Yes.

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

A. We do.

Q. And prior to the filing of the application, was an effort made to contact each of the interest owners within this unit and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. And the interest of Equitable under lease in the gas estate?

A. We have 99.72% of the gas leased.

Q. Is the one unleased party set out in Exhibit B-3 to the application?

A. Yes.

Q. And so the percentage of the unit that remains unleased to Equitable is 0.28%, is that correct?

A. That's correct.

Q. Okay. And we don't have any unknown or unlocateables within this unit?

A. No.

Q. Okay. Are the addresses set out in Exhibit B to the application, to your knowledge, are the last known addresses for the respondents?

A. Yes.

Q. Are you requesting the Board to force pool all unleased interest as listed at B-3 in the application?

A. Yes.

Q. And are you familiar with the fair market value of drilling rights in this unit?

A. Yes.

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

A. We pay a five dollar bonus on a five year term and one-eighth royalty.

Q. In your opinion, do the terms you've testified to represent the fair market value of for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, again, we'd ask that the statutory election options afforded any unleased parties in this unit, the testimony regarding how to make them and

when to make them and the ramifications of such, be incorporated as testimony taken in item 1735 previously today.

BENNY WAMPLER: That will be incorporated.

Q. Okay. Mr. Hall, we don't need an escrow account for this well, do we?

A. No.

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

A. Equitable Production Company.

Q. And the total depth of this well?

A. 6353 feet.

Q. The estimated reserves for the unit?

A. 200 million cubic feet.

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

A. It has.

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

A. Yes.

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

A. The dry hole costs is \$250,007 and the completed well costs is \$495,683.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. And, in your professional...does the AFE include a reasonable charge for supervision?

A. Yes.

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

A. Yes.

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

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

(No audible response.)

BENNY WAMPLER: Mr. and Mrs. Burton?

ROBIN HOLMES-BURTON: Mr. Chairman and members of the Board, we would like to request that this permit be denied. Efforts were made to negotiate a contract, however, the first contract that we were approached with included...on Exhibit B-3 it says, the interest unleashed is .280% and the gross acreage in the unit is three-tenths, basically, of an acre. The first contract that was

presented to us, the acreage is listed as 17.97 acres, which is the rest of our land. Apparently, where the well site is proposed, there is a corner section of our land that drops within that radius. The other acreage is actually adjoining that. So in the contract, they did list a 17.97 acres. We did request that that be changed and amended to just include that one part. The second contract was brought up. It still has the 17.97 acres. They did make an amendment. But we had our attorney look at both contracts and the amendment that was made, our attorney advised us that it was still rather a grey area. It was confusing the way that it was written. I mean, we basically...we didn't ask, you know...we feel like as property owners we do have certain rights whether it be a 100 feet of land, three-tenths of an acre or eighteen acres. In the contract too, it wasn't just the land that was in issue. They also have worded in here that they will have a right-of-way, a right to transport, the right to erect buildings and that is where our concern lies. If it was just the three-tenths of an acre and that was the only thing that was in question and we told the land agent that the first time, three-tenths of an acre to us, you know, we could see that, but when they incorporated the rest of our land and then put all these other things in here with the right to transport and the right to erect

buildings, you know, we're just...we're concerned and we want to be able to protect our rights. I have both contracts, the new and the revised, if you would like to look at those.

BENNY WAMPLER: We...we don't really get into the contractual aspect of it.

ROBIN HOLMES-BURTON: Okay.

BENNY WAMPLER: I can tell you that this application is a legal document and once approved by the Board, it will become, you know, filed with the Courthouse and be a legal document. What the Board is being asked to approve is point...0.28%. I was looking for acreage. It shows 0.31 acres and that's all that's being...that's being brought before this Board regardless of what that contract may say. I'll ask Mr. Hall, do you have any plans to put any infrastructure on this portion of the land?

DON HALL: No.

BENNY WAMPLER: No.

DON HALL: Maybe to clarify some of her questions. Typically, when we make an effort to lease the parties, we want to lease...we want to lease all of their acreage because we may want to drill a well adjacent to this later. That's the reason your lease calls for all of your acreage, 17 acres. We would typically lease the whole tract and then

as portions of that tract falls within the units, then you would get royalties from those particular pieces that fall within those units.

ROBIN HOLMES-BURTON: Well, that's why we didn't want to sign it. We don't...you know, we just feel that we're not interested in that. That's basically why we didn't sign the contract.

DON HALL: Well, basically, what you have here is the only thing that's going to be involved is this .31 acres. We won't be on that .31 acres.

ROBIN HOLMES-BURTON: This all new to us. I mean, we're green, I guess, when it comes to this. But one question that I have, just the three-tenths of an acre and I'm not...I've been listening as the testimony has been going on in these other...you know, in other proceeding, if when they drill a well, I mean, how can they tell which direction or where this is coming from. He said, you know, the three-tenths of an acre. Will that...will that pull from the other acreage that's adjoining that or will it be limited just to that three-tenths?

DON HALL: Statewide spacing is based on a 1250 foot radius unit. We will pay royalty on that particular well on all property within that 1250 foot radius. In your instance, the .31 acres. It probably...probably really

don't even produce from that big of an area. But I really can't address that. I'm not an engineer or geologist.

BENNY WAMPLER: I will tell you that---.

SHARON PIGEON: Does she have a copy of this? You might give her a copy.

BENNY WAMPLER: I believe she has---.

ROBIN HOLMES-BURTON: I do.

BENNY WAMPLER: Yeah, she has it. The state law presumes that that will be the drainage area and no further. So, that's...you know, that's what we go on. When you heard us earlier talking about field rules, that's where the Board had heard testimony and actually did like a checkerboard so that everyone...because of the number of wells being so that everyone that was a party in here that had ownership in gas or surface or anything would be...fall within one of those checkerboards. Under statewide spacing, you can have areas where you are left out of the circle, okay. For example, if you had...I'll try to do it in a size. If you had circles drilled like that and a well is drilled in here, then you would have all of this area where people wouldn't get paid. But this is out in an area where there's not field rules. It does come under statewide spacing and statewide spacing is covered under state law and there's a presumption that that 1250 foot circle or radius is the drainage area of that

well and no...and no more.

ROBIN HOLMES-BURTON: Okay. Another question that I had too, will they...as far as their right-of-way...because we do actually have...we have like a rental property on this little corner that comes in. It's off a main road. So, that's another question. Will their right-of-way cross over on that three-tenths if they need to get access to the well?

DON HALL: No.

JIM KAISER: The only thing that I might add is, and correct me if I'm wrong, Mr. Chairman, the force pooling order, should the Board approve it, does not grant any surface rights.

BENNY WAMPLER: That's right. You would have a right under the application.

MICHAEL BURTON: In this contract it gives them---

JIM KAISER: Well, that's different, that's a contract and not a pooling order.

DON HALL: That's a voluntary contract.

BENNY WAMPLER: And the Board doesn't get involved in those contractual discussions.

ROBIN HOLMES-BURTON: Right. I wanted the Board to realize that...I mean, it wasn't just that we didn't sign

it because, you know, we were holding out for money or, you know, anything like that.

BENNY WAMPLER: Right.

ROBIN HOLMES-BURTON: It's just where...it's very confusing because when we looked at it and we say, well, you know, what they're presenting before the Board is just three-tenths of an acre, but what they're presenting to us is our entire acreage.

BENNY WAMPLER: Well, and I think...I think what he said is what companies typically do. They try to lease the entire area that people have so that...you know, I don't know whether they have plans to drill another well on...anywhere on your surface or not.

DON HALL: I don't know either right off the top of my head.

BENNY WAMPLER: You know, you may be back if that occurs...if that were to occur.

BILL HARRIS: Mr. Chairman, can I---?

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Hopefully, this doesn't add confusion to the mix. But you asked a very...I guess, a valid questions and it's one that we have always tried to address and that's where the gas comes from and where, you know...all we know is that there's gas under that property

and that the gas does migrate. So, it does move from place to place. The reason for the statewide spacing is to have a reasonable window that the gas is being drawn from that area. So, whether or not gas is actually under your .31 acres is one question that I don't know that anybody can answer, but because it's within that...within that statewide spacing circle, then they pay you royalties based on how much surface you own that covers that. Now, you know, whether or not...you know, you may have lots of gas in the 17 acres, whether or not that migrates over, the assumption is that it doesn't, but at the same time the reality is, you know---

ROBIN HOLMES-BURTON: You don't know.

BILL HARRIS: ---gas doesn't...there's no...you know, when they draw that circle there's nothing that comes down from the surface that blocks off gas from other places.

ROBIN HOLMES-BURTON: Right, right.

BILL HARRIS: The hope is that if that is very productive that they would move to west of that and maybe include...if you were interested in royalties from the 17...the rest of 17. But, again, that's no guarantee.

ROBIN HOLMES-BURTON: When they...I had another question. When they actually did this survey, the preliminary plat, where it is just such a minute section, my

first question and obvious question is why wouldn't you just go ahead and move---?

BILL HARRIS: Yeah, bump everything over enough---

ROBIN HOLMES-BURTON: ---a little bit...a little bit more north or resurvey it.

DON HALL: Well, there's various reasons. One can be topographic. I mean, if we moved it a little further to the northeast we might be on a steep hillside rather than on a ridge line. We...in drilling this well, and I'm not...I can't address this for sure, but we're drilling it on ACIN's coal. Lots of times they'll tell us specifically where they want a well because of their coal mining underneath. That may have been a reason.

ROBIN HOLMES-BURTON: Isn't there a highwall too that was included in part of it?

DON HALL: A what?

ROBIN HOLMES-BURTON: A highwall. It showed a highwall on the map.

DON HALL: It may be. I don't have copy of the application.

BILL HARRIS: Oh, is that the DMLR permit?

ROBIN HOLMES-BURTON: No, it was actually on a...it was actually, I think, maybe on one of topographic

maps. It showed like where the highwall was.

DON HALL: This may be on an old bench. I'm not sure exactly where the well is.

MARY QUILLEN: Mr. Chairman, I have a question.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: Do you all own the mineral rights? Are you leasing those mineral rights?

JIM KAISER: Yeah.

MARY QUILLEN: Do you own those mineral rights? Who owns the mineral rights on that?

JIM KAISER: They do.

DON HALL: They do. That's the reason we're here.

MARY QUILLEN: I mean, the coal, I'm sorry. The coal.

JIM KAISER: No, they don't own the coal.

DON HALL: They don't own the coal.

MARY QUILLEN: The coal rights. Only the CBM---

JIM KAISER: The oil and gas...they own the oil and gas.

MARY QUILLEN: Okay. So, this placement was in conjunction with the company that is actually mining the coal, is that correct?

JIM KAISER: Probably.

(Michael Burton has a conversation with Don Hall

on the side.)

BENNY WAMPLER: He wasn't sure. He was just giving her reasons that they probably picked the location.

ROBIN HOLMES-BURTON: We did find that on here. I think this came...this was actually, I guess, from them or from you.

JIM KAISER: That's the permit application.

DON HALL: That's the permit application.

ROBIN HOLMES-BURTON: On the permit application and it actually shows that, you know---

DON HALL: That's the layout of the location itself. That's not a...that's the way the location will be laid out when it's built.

ROBIN HOLMES-BURTON: Uh-huh, right. But this area up in here---

BENNY WAMPLER: The location where they drill the well.

DON HALL: Yeah.

ROBIN HOLMES-BURTON: This area up in here though, this is where the well is going to be right here, the circle?

DON HALL: This is the pad where the...it's about a 100' X 200' rectangle. That's where the well and all of the equipment will be when they're drilling the well. These

two areas are where the sump pits will be for the fluid that comes out of the well. This appears to be along a---

MICHAEL BURTON: Highwall.

DON HALL: ---highwall bench. This is what they're talking about. This indicates highwall here and this location is on a strip bench.

ROBIN HOLMES-BURTON: Right. That's...that's on this side---

DON HALL: Uh-huh.

ROBIN HOLMES-BURTON: ---and it appears to be open.

DON HALL: Well, I don't know exactly how it lays back in there. But it probably does go further back through there. It looks like it may turn back that way. But that's...again, like I said, that may be...the well itself is on ACIN's surface, coal, oil and gas and that may be where they said to put this well. I'm not sure about that.

MICHAEL BURTON: It's obvious if you look at this, I mean, they've got plenty of room to go 40 more feet and we're exempt. I mean, it's not like they're up against it or over a highwall.

DON HALL: Well, again, that may...we may have been restricted to put it in that specific spot because sometimes we have to drill through a coal block or something

that if they're mining underneath to not affect the mining. So, that may be the reason. Again, I can't say that for sure, but they may be the reason that's where it is. I really don't know why they chose it where it is. Probably at the time they chose it, they didn't know your tract fell within...that was determined after the fact and then it got approved by the coal company.

JIM KAISER: I mean, it's a reasonable assumption that if we could have excluded your tract we would have because then we wouldn't have to come here. We would have had a 100% voluntary unit.

DON HALL: Yeah.

JIM KAISER: So my guess is that the coal company said we had to put the well there.

DON HALL: We don't want to be here.

ROBIN HOLMES-BURTON: But you're assuming and you don't know. He said that the didn't know that our tract fell into it when they first made a preliminary...you know, where they were going to place it, he didn't even know our tract fell in it until after.

JIM KAISER: Again you're missing the point. That's probably exactly where the coal company told us we had to locate the well. Then when they told us it had to go there, we did the survey and discovered your tract was in

there and then we tried to lease you. If we could have...if they could have located it or told us that they would approve a location somewhere differently, as you were saying 40 feet to the north or northeast, I guess, or whatever, so that we didn't have to include your tract, that would have been actually been better for us because we wouldn't have had to come and do this. They wouldn't have had to spend the time and the money to do this.

ROBIN HOLMES-BURTON: Well, we've...we've spent time today too.

JIM KAISER: So, we didn't purposely put it there so we could get three-tenths of---

ROBIN HOLMES-BURTON: Right.

JIM KAISER: ---your property.

ROBIN HOLMES-BURTON: Right. But I want you to understand, this is important to us too. We're not a company, but, you know, we've both took a day off work today because, you know, we feel like we do have rights.

JIM KAISER: Oh, I'm not saying that you don't. Again, you know, if we could have avoided this, we probably would have also. There's no reason why we wouldn't have.

DON HALL: And you understand that you'll receive a royalty from this well, right?

ROBIN HOLMES-BURTON: We're not really concerned

about, you know, the royalty. I think that's just a mute point.

JIM KAISER: And there won't be...we won't be on your property. There will be no physical activity.

ROBIN HOLMES-BURTON: We if we had signed the contract you would have.

JIM KAISER: But you didn't sign the contract.

ROBIN HOLMES-BURTON: But we didn't. No, we didn't.

JIM KAISER: You don't have to sign the contract.

ROBIN HOLMES-BURTON: We're not.

DON HALL: Well, actually, if you had signed the contract, we still probably wouldn't have been on your property because it would have still been that...on that particular spot.

ROBIN HOLMES-BURTON: Right. But for future---.

MICHAEL BURTON: I understand that. If you did, you could.

DON HALL: In the future we could have.

JIM KAISER: Yeah, in the future.

MICHAEL BURTON: Yeah.

BENNY WAMPLER: One thing under state law, which our lawyer is here from the attorney general's office, but under state law you can't stop the well from going in.

There's a presumption of the drainage. You come under that. This Board's obligation is to ensure that...you know, that you're identified, that you're paid...identified to paid when you're pooled. You do have a right under the surface segment of it when you go for a permit at the Division of Gas and Oil. You have specific categories where you can object to a well location or some infrastructure, a building, a pipeline or what have you, going over your property. But that even is very restricted as to what you can object to. It's very specific as a surface owner. So, you know, we're dealing with a law that promotes the development of the gas. You know, the identification here is the key thing. You have been identified. You know, you're doing the right there in trying to work with them and negotiate with them about where they locate it. If the coal company has identified a specific location, then they're telling you exactly right, that's where they have to drill it.

ROBIN HOLMES-BURTON: If they have, but they're not for sure if that's...if that's the case. They don't have any proof that the coal company told them they had to put that right there.

DON HALL: Well, I do know the coal company approved that location where it is. I don't know that they

said---

BENNY WAMPLER: But whether or not they did, the Board can't designate where the well goes, okay?

ROBIN HOLMES-BURTON: Right.

BENNY WAMPLER: I mean, I'm just trying to tell you that there's responsibilities that we have here. That's not one of them from that standpoint unless we were hearing an objection under the permit application that the Director issued.

SHARON PIGEON: Or if they were here to seek a location exception.

BENNY WAMPLER: Exception.

SHARON PIGEON: But this location is legal under the conventional spacing requirements. So, those things have all been addressed in this application.

BENNY WAMPLER: And it is...it is confusing, you know, there's no question about it. There's a lot...a lot to this. But, you know, they've said on record...we did get a commitment on record that they're not going to interfere with your property from this well and you'll be paid for that portion of the well of the gas that comes out of the well.

MICHAEL BURTON: Even though we don't sign their contract, you'll still be paid for it?

BENNY WAMPLER: Yes, yes.

SHARON PIGEON: You will be paid on the amount of your acreage that's in this unit, this .31 acres. Just a mathematical---.

MICHAEL BURTON: What if they're pulling gas from your 18 acres.

SHARON PIGEON: Well, that's how they arrived at this configuration long ago to establish statutory spacing. They said this is the best unit to protect everyone. Prior to that, it was a rule of capture and they just could stick a well anywhere and suck out from the surrounding area without any restriction. So, that's what they're trying to afford here. They're saying a well will draw roughly from this amount of area. But, of course, there's no guarantee.

JIM KAISER: Yeah. Statewide spacing was actually set up to protect the correlative rights of the different owners.

BENNY WAMPLER: And it, obviously, had to presume that when you go out 1250 feet that you're not going to drain gas beyond that. It's not just a presumption, but that's the law.

SHARON PIGEON: But there were geologic factors that they evaluated when they drafted this---.

JIM KAISER: Yeah, there was geologic and

scientific evidence presented when they establish that space.

SHARON PIGEON: So based on that---

JIM KAISER: They just didn't pick it out of thin air.

SHARON PIGEON: ---they drafted the legislation. And, in fact, the Virginia's Act was the model for the Federal Act. So, it is not something that someone just thought up one night and threw out there. A lot of work went into it. It has been the model for the Federal Act and I think perhaps at Kentucky recently has---

BENNY WAMPLER: Several other states.

SHARON PIGEON: ---modeled their Act after ours. So, while it isn't a 100% in your estimation, it's fairer than what was there before certainly when it was just the rule of capture and you go out and draw out gas wherever you could.

MARY QUILLEN: Mr. Chairman---

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---I...I guess I just have an observation that as long as they do not sign the contract, then no other well would be drilled on their property, is that correct?

JIM KAISER: Unless we come back and force pool

them again.

BENNY WAMPLER: They would have to come back before the Board again. That's why I said we may see them again if they choose. That's why I said they may come back.

SHARON PIGEON: They could have another circle of unit---.

BILL HARRIS: But that would be for another unit to the west of them---.

JIM KAISER: Right.

SHARON PIGEON: Right.

BILL HARRIS: ---if they decided to drill other units, then they may come back for---.

JIM KAISER: And chances are it still would actually be on their property if you look at where they are on that unit. But their tract could be within that other unit.

DON HALL: Well, if we didn't have a lease from them, it wouldn't be on their property. We couldn't put it on their property.

JIM KAISER: That's right because you don't have any surface rights.

MICHAEL BURTON: I guess my biggest concern is...I mean, if we hit in their circle, you're going to say drill it and suck the gas out. I mean, why would they want to

come on you then after they've sucked the gas out from under you? I mean, they need you no more.

BENNY WAMPLER: Well, here again, you're disputing the state law. I can't...you know, we can't argue that. It's just the state law. You'd have to get it change. That circle is what the state law presumes---

DON HALL: We typically drill our wells---

BENNY WAMPLER: I understand why you would. I'm just simply saying we can't...we can't argue that because that's what we have to abide by when we're dealing...up here making decisions.

ROBIN HOLMES-BURTON: You said...you mentioned that they may...it may come back if they were to pool. To clarify this, like if they get a lease from a property owner that adjoins our property and they were going to try to pull the gas our property, is that what means, then we'd be back here again?

BENNY WAMPLER: Yes. Yeah, let's say...I don't know exactly how your property lines. Let's say there's a property owner over here that leases to them and they drill a well here and you're within that radius, all your...all the rest of your 17 or whatever acres are, then yes they would have to come back before the Board to pool...there's a pooling provision in the statute to pool your gas.

ROBIN HOLMES-BURTON: Will we have any rights at that point?

BENNY WAMPLER: It will be the same as---.

JIM KAISER: We would be doing the exact same thing as we're doing today.

BENNY WAMPLER: ---today. As far as stopping the well, no, it would...but you can't...you know, you can't come here and stop the well from being drilled. It's just...the state law is not set up that way. It actually promotes the drilling and the draining of the gas.

SHARON PIGEON: The state wants the resources developed, the gas, the coal---.

BILL HARRIS: And, unfortunately, this is one of these eminent domain type of things also. Virginia sort of decides that they want to promote the gas. So our purpose is to make sure that it's done fairly and equitably, you know. We can't...I guess we sympathize with you in terms of, you know, your concerns and that's, I guess, all of our concerns. But based on state law and, again, I know law doesn't overrule what actually happens...well, it does too, but the state says that this is all that is being drained and so they pay you for that. So, if someone were to come in...if the company decided that they were going to do something to the left of that...west of that, which does

include your property, then, again, you would get another letter saying the state is going to drill and that---.

SHARON PIGEON: But you would be paid for it or have the same election options---.

BENNY WAMPLER: But we had citizens at the time the state law...and I was there listening to the testimony and being asked questions myself, but citizens came forward and said, "But we don't want our gas taken." But the legislature enacted a law that promotes the gas being taken, okay? That was all considered. It wasn't ignoring the citizens. It was, here again, the need for energy overrode the need to, you know, I guess of individuals to not be able to...or to be able to prevent someone from drilling. Here in this case, you have 99.72% leased and the law would not a .28% owner to stop all of the others from getting the royalty from it.

ROBIN HOLMES-BURTON: Yeah, I think the one owner...I think, it's from a coal company that they have it leased from now.

BENNY WAMPLER: Right. But even if it had been another a 100, you know, or whatever. It's designed to promote the development of the resource. Our job is to try to protect the correlative rights. To ensure that they've identified who you are and that they pay you when the drain

within whatever...whether it's a statewide spacing or if it was the field rule or what have you that you be equitably paid. If there's surface issues that comes under the permitting authority of the Division of Gas and Oil and if there's a problem with that, then there's an Appeal to the Board. But that Division handles surface issue if they were to try to locate pipelines or a well location in your garden spot or where you plan to build a home or what have you, then you have rights in those areas. If it's a piece of property, you know, they can't just come in if they're using your surface. If they have a lease from...they don't have a right to be on your surface at all if they don't have a lease from you to begin with.

JIM KAISER: The lessor right-of-way or some sort of surface agreement.

BENNY WAMPLER: Right. So, I know we haven't helped you from the standpoint of stop....you know, we haven't voted here, but, you know, I'm just telling you legally we can't stop it based on what you've brought up, but we're trying to answer the questions that you have so that you're better informed to how the law and regulations work. I hope we're doing that. Did you have anything further?

(No audible response.)

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

JIM KAISER: Yeah. We'd ask that the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BENNY WAMPLER: Is there a second?

BILL HARRIS: I guess, I'll second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you, folks. Next is a petition from Equitable Production Company for a well location exception for proposed well V-502030. This is docket number VGOB-06-1017-1742. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser and Don Hall on behalf of Equitable Production Company. We have an exhibit for this hearing.

(Don Hall passes out an exhibit.)

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Mr. Hall, state your name, who you work for and in what capacity?

A. My name is Don Hall. I work for Equitable Production Company as District Landman.

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 we filed seeking a location exception for well V-502030?

A. Yes.

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

A. They have.

Q. Could you indicate for the Board the ownership of the oil and gas underlying the unit for well V-502030?

A. We have a 100% leased.

Q. Okay. And we're seeking an exception from two different wells here. Does Equitable have the right to operate those reciprocal wells?

A. We do.

Q. Are there any correlative rights issues?

A. No.

Q. Okay. Now, in conjunction with the exhibit that you just handed out to the Board, could you explain why we're seeking this location exception?

A. On this Exhibit, I guess, it's a little busy. But if the two wells that we're seeking an exception from is 2032, which is on the eastern side of the plat to the south of the well that's highlighted and from 501828, which is almost due west of that well. Those two wells are less than 2500 feet. Do you see the circles around each of these wells indicate a 2500 foot radius from that well, which would be...would put us in an area where we could put a legal location? If you see the area that I've highlighted outside the two circles that...and circle of 1828 and 2032, I've highlighted an area in yellow, which would be the closest area that we could legally put a location that would be 2500 foot. The problem there is, of course, it involves an access road to...a road to a group of houses and it would be in an area that would be really close to several houses

and so forth, so we felt like it would be best to pull it back a little bit and get away from that congested area.

Q. Especially since there aren't any correlative rights issues and you have the right to operate the other reciprocal wells?

A. That's correct, yes.

Q. And in the event this location exception were not granted would you project the estimated loss of reserves?

A. 300 million cubic feet.

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

A. 5515 feet is the total depth of the well.

Q. Are you requesting this location exception cover conventional gas reserves to include the designated formations as listed in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for V-502030?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for a well location exception from proposed well V-502104. This is docket number VGOB-06-1017-1743. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

(Don Hall passes out an exhibit.)

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. Are you familiar with the application we filed seeking a location exception for well V-502104?

A. Yes.

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

A. They have.

Q. And what's the ownership of the oil and gas underlying this unit?

A. We have a 100% leased.

Q. And we're seeking an exception from just one well, is that correct?

A. That's correct.

Q. That being 505250?

A. Yes.

Q. And does Equitable have the right to operate that reciprocal well?

A. We do.

Q. So, are there any correlative rights issues?

A. No.

Q. Okay, again, explain, in conjunction with the exhibit that you've prepared for this hearing, while we're seeking this location exception.

A. It's 21...again, there's a radius around 5250 indicating the 2500 foot radius from that well and showing the 2104 well within that radius sitting on top of a knob there on that...on the topo. Should we have moved the location 2500 feet from that well, we would be getting down on the side of the hill that overlooks the Guest River Gorge. We felt that it would be best to keep it up high where we could better have less likelihood of having any impact on the gorge. In addition, the surface owner wanted us to put it in this particular spot as well. But the main concern was near the Guest...being near the Guest River Gorge. That's the beginning of where the gorge is located. That's a tourist spot there, walking, hiking and biking trail and so forth.

JIM KAISER: Any questions of Mr. Hall before I

move on?

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Continue.

Q. And in the event this location exception were not granted would you project the estimated loss of reserves?

A. 250 million cubic feet.

Q. And the total depth of this proposed well?

A. 5657 feet.

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

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for V-502104?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for a well location exception for proposed well V-501828. This is docket number VGOB-06-1017-1744. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

(Don Hall passes out an exhibit.)

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. Are you familiar with the application we filed seeking a location exception for well V-501828?

A. Yes.

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

A. They have.

Q. Could you indicate for the Board the ownership of the oil and gas underlying the unit for this well?

A. We have a 100% under lease.

Q. Okay. Does Equitable have the right to operate any reciprocal wells?

A. We do.

Q. Are there any correlative rights issues?

A. No.

Q. Okay. Again, in conjunction with the exhibit that you've prepared and passed out to the Board, explain why we're seeking this exception.

A. Actually, we just did an exception for 2030, the first one we did. This well is one of those reciprocal wells from 2030. The highlighted area in yellow, again, shows where we would have to move that well to get 2500 feet from 2030. It would push us down on the side of the hill over the Crane's Nest River in which that...at that point of the Crane's Nest, that's part of the Flannagan Reservoir and Flannagan Dam. Again, we just prefer not to be on the side of that hill with the potential of having an adverse impact on the reservoir.

Q. In the event this location exception were not granted, could you project the estimated loss of reserves?

A. 350 million cubic feet.

Q. And the total depth of this proposed well?

A. 5451 feet.

Q. Are you requesting this location exception to cover conventional gas reserves to include all designated formations within the application from the surface to the

total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for V-501828?

A. Yes.

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

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a

petition from Equitable Production Company for a well location exception for proposed well 537540, docket number VGOB-06-1017-1745. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Don Hall on behalf of Equitable Production Company.

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, again, do your responsibilities include this land involved here and in the surrounding area?

A. Yes.

Q. Are you familiar with the application that we filed seeking a location exception for well number V-537540?

A. Yes.

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

A. They have.

Q. Could you indicate for the Board the

ownership of the oil and gas underlying this unit?

A. We have a 100% under lease.

Q. And does Equitable have the right to operate the reciprocal wells? I believe, we're seeking an exception from three different wells in this case.

A. That's correct, yes.

Q. Okay. Are there any correlative rights issues?

A. No.

Q. Okay. Now, in conjunction with the exhibit that you just handed out, explain why we're seeking this location exception.

A. Again, you see the 2500 foot radius circles from the reciprocal wells and the area that's highlighted in yellow along the word "river" there is the closest area that we could put a legal location. That falls on the bluff...a steep bluff above the Crane's Nest River again, which at this point is along the headwaters of the Flannagan Dam. But that hillside is very steep and, again, not a place that we're going to put a location because of its potential adverse effects on the river there.

Q. Okay. Again, if this location exception were not granted, could you project the estimated loss of reserves?

A. 400 million cubic feet.

Q. The total depth of this proposed well?

A. This well is 4676 feet deep.

Q. Are you requesting this location exception to cover conventional gas reserves to include the designated formations as depicted in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for V-537540?

A. Yes.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Yeah, I had one. Just out of curiosity, I know we've approved a lot of location exceptions over the years. I'm wondering, do you all have any evidence that that adversely effects some of these other wells that are, I'm going say nearby, but within the 2500 foot?

DON HALL: I really can't address that since I'm not involved with the engineering end of it. But these location exceptions at these distances are approved by our geology and engineering department before we even come before the Board.

BILL HARRIS: So, economically it would be visible to put that in and not significantly---?

DON HALL: Right. Obviously, they don't feel like it impacts them a great deal, I guess, over...potentially over many years. In time, it might. But---.

BILL HARRIS: Yeah, I'm just curious. I guess after we started talking...of course, infill drilling we're talking closer.

DON HALL: Right.

BILL HARRIS: But I was just curious to see what... if you all had done any kind of study as to what effect that might have.

DON HALL: You know, like I said, obviously, our science people feel like it's---.

BILL HARRIS: (Inaudible.)

JIM KAISER: I guess, they're willing to expend the capital---.

BILL HARRIS: Right. To develop that.

JIM KAISER: ---to develop it. So, they must feel

like it's...of course, the infill drilling, you know, you're talking about a coal reservoir and this is a conventional reservoir. So, you can't really---

BILL HARRIS: Right. Yeah, much closer spacing.
Yeah.

JIM KAISER: ---compare.

BILL HARRIS: I know you're not comparing the same thing. But I was just curious. Thank you. That's all.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approve as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a

petition Equitable Production Company for a repooling of conventional gas unit V-503180. This is docket number VGOB-06-0620-1655-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable Production Company.

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Mr. Hall, this is a well that we first pooled back in June of this year?

A. That's correct.

Q. And could you explain for the Board while we're back now?

A. We...in subsequent title examinations, we discovered that...if you look at the plat, there's a Tract 3 that fell within this circle that we didn't initially have...didn't initially show. We're back to include that in the pooling at this point. We have added them for the request for force pooling...the application for force pooling.

Q. So, our original application in June did not show this little Tract 3 over there at 10:00 o'clock on the circle that's .03% of the unit and .03 acres within the unit?

A. That's correct.

Q. And we found that from subsequent title work that was performed after we did the force pooling?

A. That's correct.

Q. So, we've come back...we couldn't get them leased?

A. Right.

Q. So, we have come back and notified them of this hearing and we also notified the owners of Tract 4 because it actually affected their interest because it took a little bit away from them, correct?

A. That's correct.

Q. Okay.

A. And in addition, in B-2, we've also dismissed Pine Mountain and Andrew Mullins and Mark Mullins, who we have since gotten an agreement with Chesapeake Appalachia which had those Tract 6 and 7 under lease. They have assigned their interest to us since the hearing. So, we've dismissed them. Then Appalachian Energy had leases on Andrew Mullins and Ernest Mullins and since the force

pooling, we have reached an agreement with them on an assignment of those tracts to us as well. So, those...Tracts 6, 7 and 8, the parties in those tracts, will be dismissed as well in this force pooling.

Q. So, they will be dismissed from the original pooling and don't need to be under the jurisdiction of this Board order?

A. Right.

Q. Okay.

A. That's correct.

Q. So, the only thing that remains unleased as of our repooling today is the unknown interest of Yellow Popular Lumber Company, which is depicted...which is represented in Tract 5 and then the unleased interest of Clinton and Tammy Owens, which is the new tract that we found Tract 3, correct?

A. That's correct.

Q. And that represents...so let's go through that for Ms. Pigeon. The interest under lease at this time in the unit is 93.88%, is that correct?

A. Yes, that's correct.

Q. And the interest that is unleased is 6.12%?

A. That's correct.

JIM KAISER: Okay. I would ask that we be able to

incorporate most of the testimony from the June hearing or from our earlier...from 1735 earlier today, particularly regarding election options afforded these unleased parties.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, we will need to establish...the Board will need to...I guess, they already have established an escrow account for Tract 5 under the original order, if there has been an order issued. I don't know. In June, probably not.

BENNY WAMPLER: That will be amendments.

Q. But anyway, yeah, it will be an amended one. But anyway, we need a escrow account for any proceeds attributable to Tract 5 in this unit, correct?

A. That's correct.

Q. Okay. And what's the total depth of the proposed well?

A. 4528 feet.

Q. The estimated reserves for the unit?

A. 300 million cubic feet.

Q. And AFE was submitted as Exhibit C to this application?

A. Yes.

Q. Does it, in your opinion, represent a reasonable estimate of well costs?

A. It does.

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

A. The dry hole costs is \$257,628 and the completed well costs is \$528,832.

Q. And do these costs anticipate a multiple completion?

A. They do.

Q. And does your AFE include a reasonable charge for supervision?

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

GARY EIDE: Mr. Chairman.

BENNY WAMPLER: Mr. Eide.

GARY EIDE: We did want to make this one order. The previous order has never been recorded.

BENNY WAMPLER: Okay.

GARY EIDE: So, we did want to make it one.

BENNY WAMPLER: All right. Any other...do you have anything further?

JIM KAISER: No, Mr. Chairman, we'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Motion is second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

DON HALL: Thank you all.

BENNY WAMPLER: Thank you. Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 826096. This is docket number VGOB-06-1017-1746. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, it will be Jim Kaiser, Dennis Baker and Stan Shaw on behalf of Chesapeake Appalachia, LLC. Before we get them sworn in, a little housekeeping. Chesapeake wishes to withdraw 1746, 1747, 1748 and 1751 in that. We have obtained voluntary units. We got everybody leased. So, we'll withdraw those four.

SHARON PIGEON: That was 1751?

BENNY WAMPLER: Was the last one 51?

JIM KAISER: Uh-huh. 1751, yes. So, good work there, fellows. All right. Now, I'm going to have to get reorganized before we start on the next one.

BENNY WAMPLER: We can get them sworn in while he's---.

JIM KAISER: Yeah, if you'll swear them in, please.

(Dennis Baker and Stan Shaw are duly sworn.)

BENNY WAMPLER: So, for the record, the withdrawn items are VGOB-06-1017-1746, 1747, 1748 and 1751. I'll now call a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 825694. This is docket number VGOB-06-1017-1749. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, it will be Jim Kaiser,

Dennis Baker and Stan Shaw. Let me find my docket here.

Which one are we on? 49?

BENNY WAMPLER: 49, yeah.

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. All right, Mr. Baker, we'll start with you. Could you state your name, who you're employed by and in what capacity, please?

A. Dennis Baker, employed by Chesapeake Appalachia, LLC as Senior Land Representative.

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

A. Yes, they do.

Q. Okay. And you're familiar with Chesapeake's application seeking to both establish a drilling unit and pool any unleased interest for well number 825694, which was dated September the 15th, 2006?

A. Yes.

Q. Does Chesapeake Appalachia own drilling

rights in the unit involved here?

A. Yes, we do.

Q. And prior to the filing of the application, were efforts made to contact each of the respondents owning an interest in the unit and an attempt made to work out a voluntary lease agreement with them?

A. Yes.

Q. And what is percentage of the unit that is under lease to Chesapeake?

A. The percentage of the unit that is leased is 50.434525%.

Q. And the percentage of the unit that remains unleased as this time?

A. 49.565475%.

Q. And are all leased...excuse me, are all unleased parties set out in Exhibit B-3?

A. Yes.

Q. Okay. And in this particular unit, we do have some unknown and unlocateable interest owners---?

A. Yes.

Q. ---is that correct? I believe, it's the Mary Sue Harris Heirs?

A. Yes...yes.

Q. And were efforts made and sources checked

to attempt to locate those unknown heirs, including primary sources such as deed records, probate records, assessor's records, treasurer's records and secondary sources such as telephone directories, city directories, family and friends?

A. Yes, they were.

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

A. Yes.

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

A. Yes.

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

A. Yes, I am.

Q. Are you familiar with the fair market value of drilling rights in this unit here and in the surrounding area?

A. Yes.

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

A. A five dollar per acre consideration, a

five year term and a one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, we'd ask that the testimony regarding election options afforded any unleased parties that was taken previously in docket number 1735 be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

DENNIS BAKER: Accept, yes.

BENNY WAMPLER: They will be incorporated.

Q. Okay. Mr. Baker, we do not need to establish an escrow account?

A. Yes, we do.

Q. And that is for...it will be for Tract 1, Tract 2...just Tracts 1 and 2, I believe. That's the Tracts that the Mary...the May Sue Harris Heirs have an interest in.

A. That's correct.

Q. Okay. Who should be named operator under any force pooling order?

A. Chesapeake Appalachia, LLC.

JIM KAISER: That's all I have for this witness,
Mr. Chairman.

BENNY WAMPLER: Questions from members of the
Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, state your name, who you're
employed by and in what capacity?

A. My name is Stan Shaw. I'm employed by
Chesapeake Appalachia as a Reservoir Engineer.

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

A. Yes.

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

A. 6,240 feet.

Q. And the estimated reserves for this unit?

A. 400 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. The dry hole costs are \$294,146 and completed well costs are \$575,531.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

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

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approve.

PEGGY BARBAR: I'll second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 825527. This is docket number VGOB-06-1017-1750. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, it will be Jim Kaiser, Dennis Baker and Stan Shaw on behalf of Chesapeake Appalachia.

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

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Dennis Baker, employed by Chesapeake Appalachia, LLC as Senior Land Representative.

Q. And you're familiar with the application that we filed seeking to establish a drilling unit and pool any unleased interest for well 825527, which is dated September the 15th, 2006?

A. Yes, I am.

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

A. Yes.

Q. And prior to the filing of the application, were efforts made to contact each of the respondents owning an interest in the unit and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. What's the interest under lease to Chesapeake in this unit?

A. The interest under lease is 94.746650.

Q. And what is the percentage that is
unleased?

A. The unleased percentage is 5.253350.

Q. Okay. And that represents the interest in
Tract 3, which is the 5.92 acres owned by the Norfolk and
Southern Railroad Company?

A. That's correct.

Q. Could you kind of just explain for the
Board where we are with that particular entity?

A. We have...we have a proposal from the
Norfolk and Southern Railroad and it's being submitted to
our Charleston Office for execution. The terms have been
tentatively agreed to. So, we're real close to having a
voluntary agreement.

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

A. Yes.

Q. And in this particular unit, we do not have
any unknown or unlocateables, correct?

A. That's correct.

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

A. Yes.

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

A. Yes.

Q. Are you familiar with the fair market value of drilling rights in this unit?

A. Yes, I am.

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

A. Yes. A five dollar per acre consideration, a five year term and a one-eighth royalty.

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

A. Yes.

JIM KAISER: Okay. Again, we'd ask that the testimony regarding the statutory election options taken earlier in docket number 1735 be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

DENNIS BAKER: Yes, I do.

BENNY WAMPLER: They will be incorporated.

Q. Okay. Mr. Baker, the Board does not need

to establish an escrow account for this well, correct?

A. That's correct.

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

A. Chesapeake Appalachia, LLC.

JIM KAISER: Nothing further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, are you familiar with the proposed exploration here?

A. I am.

Q. And do your responsibilities include the land involved here?

A. Yes.

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

A. 6,000 feet.

Q. And the estimated reserves for the unit?

A. 450 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. The dry hole costs are \$285,264 and completed well costs are \$570,829.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

JIM KAISER: Nothing further of this witness, Mr.

Chairman.

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

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 825522. This is docket number VGOB-06-1017-1752. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser,

Dennis Baker and Stan Shaw. Mr. Baker is going to pass out a revised set of exhibits. We'll wait for him to get back.

(Dennis Baker passes out revised exhibits.)

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, do your responsibilities include the land in this unit and in the surrounding area?

A. Yes.

Q. Okay. Before we get into your testimony, can you explain the revision in the exhibits to the Board?

A. On the exhibit that we just passed out, we had three individuals that are now leased and we have some addresses for some individuals that we had shown as being unknown on the previous...on the application. So, we identified those individuals with their current addresses and those that are now leased that were unleased at the application.

Q. Mr. Baker, does Chesapeake Appalachia own drilling rights in the unit involved here?

A. Yes.

Q. And prior to the filing of the application, were efforts made to contact each of the respondents owning

an interest and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. And what is the interest of Chesapeake under lease within this unit, right now?

A. Currently at the...we have 94.038725.

Q. Okay. And that's reflected in the revised Exhibit B, right?

A. Yes.

Q. Okay. And at this time, what percentage of the unit that remains unleased?

A. Unleased at the hearing date is 5.961275.

Q. Okay. And are all the parties who remain unleased at this time represented in Exhibit B-3 to the...the revised Exhibit B-3 to the application?

A. Yes.

Q. Okay. We do have, in this particular case, some unlocateable interest owners, correct---?

A. That's correct.

Q. ---in Tracts 4 and 5?

A. Were reasonable and diligent efforts made and sources checked to attempt to identify and locate these unknown heirs?

A. Yes.

Q. In your professional opinion, was due diligence used to locate each of the respondents named in the exhibits?

A. Yes.

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

A. Yes.

Q. Okay. Are you familiar with the fair market value of drilling rights in this unit here and the surrounding area?

A. Yes, I am.

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

A. A five dollar per acre consideration, a five year term and a one-eighth royalty.

Q. In your opinion, do the terms you've testified to represent fair market value for the payment of drilling rights?

A. Yes.

JIM KAISER: Mr. Chairman, we'd, again, ask that the testimony regarding election options taken earlier in docket number 1735 be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

DENNIS BAKER: Accept the terms, yes.

BENNY WAMPLER: That will be incorporated.

Q. Okay. In this particular case, we do need to establish an escrow account for any proceeds attributable to Tracts 4 and 5, is that correct?

A. Yes.

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

A. Chesapeake Appalachia, LLC.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, are you familiar with the development of this well?

A. I am.

Q. And what's the proposed depth?

A. 5,095 feet

Q. The estimated reserves for this unit?

A. 350 million cubic feet.

Q. Has an AFE been reviewed, signed and submitted to the Board?

A. Yes.

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

A. It does.

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

A. The dry hole costs are \$278,871 and the completed well costs are \$533,259.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

JIM KAISER: Nothing further of this witness, Mr.

Chairman.

BENNY WAMPLER: Just out of curiosity on this, in the previous AFEs that you've had you show a net and this one you just a total. That's not...you know, I'm just asking what do you do with the net?

STAN SHAW: The founder of our company has the option to take 2 1/2% interest in every well on a quarterly basis.

BENNY WAMPLER: All right. Thank you. Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved with the revised set of exhibits, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM KAISER: Thank you, Mr. Chairman. Next is a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 825808. This is docket number VGOB-06-1017-1753. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, in this matter it will be Jim Kaiser and Stan Shaw on behalf of Chesapeake Appalachia. He has got a bunch of exhibits. I don't know...I'll maybe let Stan kind of guide me here. These wells are all...you'll see when he passes these out, they're all kind of in a roll and it might be---

BENNY WAMPLER: And we've got a bunch of wells...you've got all of your well location exceptions on here?

JIM KAISER: All except for the very last one. So, it might be advantageous to call those five together.

BENNY WAMPLER: That's what I was wondering.

JIM KAISER: Yeah. I think it would probably be easier for explanatory purposes.

(Stan Shaw passes out exhibits.)

BENNY WAMPLER: All right. I'll also go ahead and call docket number VGOB-06-1017-1754, 55, 56 and 57. We'd

ask the parties that wish to address the Board in these matters to come forward at this time.

JIM KAISER: Mr. Chairman, it will be Jim Kaiser and Stan Shaw. I can...you know, I'll differentiate in the areas where we need to.

BENNY WAMPLER: Right.

JIM KAISER: At least he only has to do his explanation one time.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay, Mr. Shaw, do your responsibilities include the land involved with these wells and in the surrounding area?

A. Yes.

Q. Are you familiar with the applications we filed seeking location exceptions for these five different wells?

A. I am.

Q. Okay. And have all interested parties been notified, that being all oil, gas and coal owners in the units for these five wells, as required by Section 4(B) of the Virginia Gas and Oil Board Regulations?

A. Yes.

Q. Okay. Now, does Chesapeake Appalachia own either through lease or through the force pooling order the right to operate and drill under a 100% of all five of these units?

A. We do.

Q. Okay. Does Chesapeake Appalachia have the right or will they have the right as we go through these things in kind of in sequential order to operate all the reciprocal wells?

A. We do.

Q. Okay. Now, let's...before we get into the specific reserves underlying each unit and specific depths of the wells, why don't we go ahead and get you to go through this exhibit that you prepared and explain why and how we're seeking these exceptions?

A. Okay. The first page, just to orient you to the part of the state which has been referred to the foam, it abuts Pike County, Kentucky, Mingo County and McDowell County, West Virginia. The second page is our well base on a lease background, all the shaded areas that we have under lease. The red lines are pipelines to existing wells. The blue lines, just a stick diagram, which works through the progression of these requests for the spacing

exceptions. The distances for A, B, C, D, E and F are printed over on the right margin. For 825808, that's on a separate coal owner. All the others have the same coal owner. It's probably about all for that page.

The next page has the topo lines. On the first well 825808, we shifted it about as far away from well 825092 as we could get to get it 2500 feet. We'd have to go about a half inch south on that map where the contours are really tight on the Tug Fork. Then to go any further, we would have been wasting reserves. So, that's the reason for that one.

Q. Okay. So, this is well 825808, right?

A. Yes.

Q. All right. And what's the proposed depth for that well?

A. 5,165 feet.

Q. Okay. And the estimated reserves that would result in waste if we did not get the location exception?

A. 350 million cubic feet.

Q. Okay. And again, in particular, this well was decided and in agreement with the coal owner and operator to keep the elevation of the well below the elevation of their coal, correct?

A. Yes.

Q. And if it was moved to a legal location of 2500 feet, it becomes...the topography becomes too extreme and, in your opinion, for safe operations?

A. Yes.

Q. And then if we...again, if it's moved to a legal location at that point, then...or the spacing between the wells is too great and there's a reasonable chance that we're leaving some reserves out there?

A. Correct.

JIM KAISER: All right. Let's move...there's no...are there any questions on 808?

BENNY WAMPLER: We'll ask if we have any.

JIM KAISER: Oh, okay. I'm sorry.

BENNY WAMPLER: No, that's okay.

JIM KAISER: I didn't mean to be doing your job.

BENNY WAMPLER: No, that's fine.

Q. 825681, is that B, Mr. Shaw, or the second circle?

A. It is.

Q. Okay.

A. Paw Paw north 40.

Q. Paw Paw north 40?

A. Yeah.

Q. And what's the proposed depth of that well?

A. 5,240 feet.

Q. Okay. And the estimated reserves for the unit?

A. 350 million cubic feet.

Q. Okay. And the reason as depicted both in the application and through your set of exhibits for this exception would be exactly the same as the reasons that we just stated for 825808?

A. Yes. I'd like to also mention the highlighted 1200 foot contour. The area in the middle is a big high ridge where mining will take place eventually. Where all these wells are cited is up a narrow hollow and you come back out of it and up a steep hill to the state line. I don't know the magic number for the elevation of the coal. But we did work with the coal company and these sites were pre-approved at the various dates.

Q. These were all pre-approved in negotiations with Alpha, correct, the coal owner?

A. Yes. And they actually asked us to move the last one that we'll get to.

Q. So, they do have some future mining plans in the area?

A. Correct.

Q. So, these were all basically located at their request?

A. Correct.

Q. 825805. Mr. Shaw, the depth of that well?

A. 5,320 feet.

Q. And the estimated reserves there?

A. 350 million cubic feet.

Q. Anything you want to add to that explanation?

A. No. It's just up a narrow point out of their way.

Q. Okay. And the fourth well in the progression, 825807, the depth of that well?

A. 5,425 feet.

Q. Um, it's not what I got.

A. 5,385 feet.

Q. Okay. 5,385 feet. And, again, the estimated reserves 350 million cubic feet?

A. 350 million.

Q. Okay. Anything in particular about that you haven't already talked about?

A. No.

Q. Okay. And the last of the set of five, 825683, the proposed depth of that well?

A. 5,425 feet.

Q. And, again, the estimated reserves are 350 million?

A. Correct.

Q. Is there any testimony you want to offer tying all of these together?

A. This one we originally had 2500 foot spacing down in cove to the south. The Virginia Energy asked us to move it back here presumably to not interfere with future mining plans. And---

Q. Virginia Energy being a coal operator?

A. The coal operator, yes. And it's a legal distance from 825208.

BENNY WAMPLER: Obviously, you could have eliminated one of the wells and probably hit location on most of these, but that would...you made a determination that you would...the reserve base lost that you would have was the reason that you went with five?

MR. SHAW: Yeah.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask, Mr. Chairman, that the five

applications be approved as submitted.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. This is
Exhibit One.

JIM KAISER: Exhibit One would be great. Thank
you.

BILL HARRIS: Just out of curiosity, the Paw Paw
north, where does that originate? Is that a West Virginia
thing or---?

JIM KAISER: Well, it's an area of Buchanan County
that's called Paw Paw.

BILL HARRIS: Paw Paw. Okay, I didn't realize
that.

STAN SHAW: We have Paw Paw Prospect and a Paw Paw
north.

BILL HARRIS: Okay, thank you.

JIM KAISER: Haysi Prospect.

BENNY WAMPLER: Paw Paw is there area.

PEGGY BARBAR: Is it near Garden Creek?

BILL HARRIS: Yeah, is the area---?

PEGGY BARBAR: Is it near Garden Creek?

GARY EIDE: No. It's not near Garden Creek.

BENNY WAMPLER: It's not near anything.

GARY EIDE: Paw Paw is not near Garden Creek.

(Laughs.)

PEGGY BARBAR: It's over...where is it then since he asked the question? I'm just curious to know.

GARY EIDE: Hurley...do you know in the Hurley area?

PEGGY BARBAR: Oh, yeah.

GARY EIDE: Okay. Well, it's in that---.

PEGGY BARBAR: You talked about Virginia Energy as being the coal company.

GARY EIDE: The thumb part is up there, Hurley...actually north of Hurley.

STAN SHAW: It's as far north as you can go.

PEGGY BARBAR: So, you're very close to West Virginia?

GARY EIDE: Right. These wells are close to

the---.

BENNY WAMPLER: Right on the border.

PEGGY BARBAR: I know of a Paw Paw on Garden Creek too, guys.

JIM KAISER: It's close to the Tri-State border there, yeah.

BILL HARRIS: I was just curious. Thank you.

BENNY WAMPLER: Okay. Next on the agenda is a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 825527, docket number VGOB-06-1017-1758. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Stan Shaw on behalf of Chesapeake.

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

JIM KAISER: Mr. Shaw, do we have an exhibit here?

STAN SHAW: Yes, we do.

(Stan Shaw passes out an exhibit.)

BENNY WAMPLER: I like your exhibits by the way. Good job.

STAN SHAW: Thank you.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Mr. Shaw, do your responsibilities include the land involved here and in the surrounding area?

A. Yes.

Q. You're familiar with the application that we filed seeking a location exception for well 825527?

A. I am.

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

A. Yes.

Q. And could you indicate for the Board the ownership of the oil and gas interest underlying the unit for well number 825527?

A. Chesapeake Appalachia has a 100% rights.

Q. Okay. And we are seeking an exception from one well, that being Chesapeake well 824539?

A. Correct.

Q. And there is no correlative rights issues, correct?

A. That's right.

Q. And in conjunction with your exhibit that you just passed out, the reasons that we're seeking this

exception?

A. Well, the well is situated on a strip bench that was pre-approved by Wellmore Energy. It's 421 feet shy of being 2500 feet from the 824539 well, which is shown down near the southern edge of this diagram. If we move north that 421 feet we could go on out that point, but it puts us too close to a well already drilled to the north.

Q. That's 824541?

A. Yes. So, if we move a little west, that puts us down in a steep hollow with no access from the surface and down at the mouth of the hollow we're blocked by railroad tracks. It's the same unit where the railroad is involved.

Q. Is the unit that we just force pooled?

A. Yes.

Q. The Norfolk and Southern railroad, okay.

In the event this location exception were not granted, would you project the estimated loss of reserves?

A. 450 million cubic feet.

Q. And the projected or proposed depth for this well?

A. 6,000 feet.

Q. And are we requesting this location exception to cover conventional gas reserves to include the

designated formations included in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for 825527?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Just a couple of questions about your plat there. The red dotted lines, are those proposed roads or existing roads or what's---?

STAN SHAW: That's the permitted road for the well.

BILL HARRIS: Okay. And I noticed that your road to be permitted with the well, that's...I'm just trying to...you know, there's one that takes off to the left, it just looks like a long way to go, but I don't see another way to...I guess, the main road is over to the left...I'm

sorry, to the right...no, that's railroad up there. I just saw that dotted line, the black dotted line that just sort of meanders all the way...well, it's following the ridge lines. I was just curious about what...if there was an easier way.

JIM KAISER: That's actual a pipeline, I think.

BILL HARRIS: Well, it says "Pipeline map", but it doesn't really have a legend that says the pipeline is the red---.

STAN SHAW: The pipeline is dotted blue on there.

BILL HARRIS: The dotted...now, when you say blue---.

JIM KAISER: It looks black to me or grey.

BILL HARRIS: No, there is a blue, yeah.

BENNY WAMPLER: No, there is a blue that comes down---.

BILL HARRIS: There is a blue one that comes right out of---.

JIM KAISER: Oh, okay. That's another pipeline...this is a pipeline too.

STAN SHAW: Yeah, there are existing pipelines.

JIM KAISER: So, it's a four inch going to the existing?

STAN SHAW: Yes.

JIM KAISER: Okay.

BENNY WAMPLER: Mr. Harris, you're wondering why they're not cutting over into the other road?

BILL HARRIS: Yes.

STAN SHAW: I wasn't part of the negotiations with the coal company. It probably has to do with permission they've granted for access.

JIM KAISER: That would be a permitting issue anyway, wouldn't it?

BILL HARRIS: Yeah, yeah, I'm just curious though because I saw all of the...like I said, that...it looks like where it says, "road located on a strip bench" there that one that points to red, it looks like that just ends. If you're trying to get down to...I don't know if that's a main road, the one that's through the northeast there part...northwest, I'm sorry.

STAN SHAW: Much of the time, the contours you can get commercially or updated nearly as fast as the lines go through.

BILL HARRIS: It just looks like a long...you know, that road be permitted with the well, it looks like that's a long way to go.

STAN SHAW: Yes.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no. You have approval.

JIM KAISER: Thank you.

BENNY WAMPLER: Board members, we have the minutes from the September the 19th hearing that have been previously distributed. Do you have any corrections, additions or I'd otherwise accept motion to approve?

BILL HARRIS: Mr. Chairman, I move that we approve the minutes as presented.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: They are approved. Next month we have fifty-six or seven---

GARY EIDE: Yeah, somewhere around there.

BENNY WAMPLER: ---docket items. I would ask you to set aside, if you can be here, a day and a half, the 14th and 15th. If you'll kindly do that, I know that's inconvenient. But just in case, we'll try to do as much as we can, but you never know.

BILL HARRIS: Will we have a quorum if I'm not here? See I had---

BENNY WAMPLER: Donnie should be back. So, we should barely have a quorum again. We need to get appointments.

JIM KAISER: We're doing everything we can. In light of that, I'd like to say, as a Officer of the Virginia Oil and Gas Association, I'd again like to invite you all to come out (inaudible) tonight if you can and attend our meeting. We're having a reception and dinner for you. So far, I don't think we've got anybody coming that we know.

So, if one or two of you or three of you or however many could make it, it would really be great. Are you going to make it?

BENNY WAMPLER: I plan to make it.

JIM KAISER: Great.

BENNY WAMPLER: Sharon plans to make it.

JIM KAISER: Good.

BENNY WAMPLER: Did you have anything, Gary?

GARY EIDE: No.

BENNY WAMPLER: Okay. Thank you very much. This meeting is concluded.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

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

Given under my hand and seal on this the 8th day of November, 2006.

NOTARY PUBLIC

My commission expires: August 31, 2009.