

VIRGINIA:

IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD

FEBRUARY 20, 2007

APPEARANCES:

**BOARD MEMBERS:**

MARY QUILLEN - PUBLIC MEMBER

PEGGY BARBAR - PUBLIC MEMBER

BILL HARRIS - CITIZEN REPRESENTATIVE

DONNIE RATLIFF - COAL REPRESENTATIVE

BRUCE PRATHER - GAS & OIL INDUSTRY REPRESENTATIVE

**CHAIRMAN:**

BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND  
PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

**COUNSEL:**

SHARON PIGEON - ASSISTANT ATTORNEY GENERAL

MICHELLE BROWN  
COURT REPORTING, INC.  
P. O. BOX 1325  
GRUNDY, VIRGINIA 24614  
(276) 935-7141  
(276) 935-8374 (Fax)

INDEX

<u>AGENDA AND DOCKET NUMBERS :</u>	<u>UNIT</u>	<u>PAGE</u>
1-		
19) VGOB-06-1219-1849-01	A-31	6
VGOB-06-1219-1843-01	A-31	
VGOB-06-1219-1850-01	D-38	
VGOB-06-1219-1845-01	E-44	
VGOB-06-1219-1844-01	F-44	
VGOB-06-1114-1795-01	B-40	
VGOB-06-1114-1808-01	B-41	
VGOB-06-1114-1793-01	B-42	
VGOB-06-1114-1807-01	C-33	
VGOB-06-1114-1806-01	C-39	
VGOB-06-1114-1782-01	C-48	
VGOB-06-1114-1787-01	G-45	
VGOB-06-1114-1810-01	D-32	
VGOB-06-1114-1789-01	D-45	
VGOB-06-1114-1783-01	D-46	
VGOB-06-1114-1809-01	E-32	
VGOB-06-1114-1785-01	E-45	
VGOB-06-1114-1784-01	E-46	
VGOB-06-1114-1780-01	C-49	
20) VGOB-07-0116-1858	826204	56
21) VGOB-07-0116-1863	AE-190	
WITHDRAWN		
22- VGOB-05-0816-1487-01	U-4	40
23) VGOB-05-0816-1489-01	V-4	
24-		53
36) VGOB-07-0220-1867	B-33	
WITHDRAWN		
VGOB-07-0220-1869	E-38	
WITHDRAWN		
VGOB-07-0220-1870	F-32	
WITHDRAWN		
VGOB-07-0220-1871	F-33	
WITHDRAWN		
VGOB-07-0220-1872	F-34	
WITHDRAWN		
VGOB-07-0220-1873	F-35	
WITHDRAWN		
VGOB-07-0220-1874	F-36	

WITHDRAWN  
 VGOB-07-0220-1875 F-37  
 WITHDRAWN  
 VGOB-07-0220-1876 F-38  
 WITHDRAWN  
 VGOB-07-0220-1877 G-37  
 WITHDRAWN  
 VGOB-07-0220-1878 G-38  
 WITHDRAWN  
 VGOB-07-0220-1879 YYY-32  
 WITHDRAWN  
 VGOB-07-0220-1880 ZZZ-31  
 WITHDRAWN

INDEX (CONT.)

<u>AGENDA AND DOCKET NUMBERS:</u>	<u>UNIT</u>	<u>PAGE</u>
37) VGOB-07-0220-1882	826107	67
38) VGOB-07-0220-1883	826290	78
39) VGOB-07-0220-1884	826096	83
40) VGOB-07-0220-1885	VC-536171	88
41) VGOB-07-0220-1886 WITHDRAWN	VC-537246	
42) VGOB-07-0220-1887	VC-536620	97
43) VGOB-07-0220-1888	VC-537150	103
44) VGOB-07-0220-1889	VC-537144	108
45) VGOB-07-0220-1890	VC-537621	114
46) VGOB-07-0220-1891	VC-537628	119
47) VGOB-07-0220-1892	MODIFY NORA COALBED FIELD RULES	125
*Approve minutes		135
**Public Comments		135

\_\_\_\_\_

\_\_\_\_\_

BENNY WAMPLER: We'll go ahead and call the meeting to order. 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 will ask the Board members to introduce themselves starting with Ms. Quillen.

MARY QUILLEN: Mary Quillen, Director of Academic Graduate Programs for the University of Virginia here at the Center. I'm citizen member.

PEGGY BARBAR: Peggy Barbar, Dean of Engineering at Southwest Virginia Community College, a public member.

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

DONNIE RATLIFF: I'm Donnie Ratliff representing coal. I work for Alpha Natural Resources.

BRUCE PRATHER: I'm Bruce Prather. I represent the Oil and Gas industry.

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

BENNY WAMPLER: The first item on today's agenda is a petition from CNX Gas Company, LLC for repooling of coalbed methane unit A-31. This is docket number VGOB-06-1219-1849-01. It was continued from January. 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.

TOM MULLINS: Tom Mullins with the Street Law Firm on behalf of GeoMet. Also here today is Jeff Taylor of GeoMet.

GEORGE MASON: George Mason, attorney, and Ertel Whitt, Consulting Engineer on behalf of LBR Holdings, LLC. Good morning.

BENNY WAMPLER: Good morning. Mr. Swartz, you---.

MARK SWARTZ: Good morning.

BENNY WAMPLER: ---may proceed. Good morning.

MARK SWARTZ: In the interest of making one presentation and saving you time, I've done a chart, which I'll pass out in a minute, to sort of give you an indication of where I think we are. I propose to deal with items one through nineteen at one time because I think they're all related indirectly, because as I understood the motion at the last hearing, there was a stay in regards to some other units as well and I've got a...I've done a spreadsheet to kind of identify what I think are the units in play. I'm going to have Les pass that out.

BENNY WAMPLER: Is there any objection to combining all of these?

(No audible response.)

BENNY WAMPLER: I'm going to go ahead and call...I'll just call the docket numbers, VGOB-06-1219-1843-01, 1850-01, 1845-01, 1844-01, VGOB-06-1114-1795-01, 1808-01, 1793-01, 1807-01, 1806-01, 1782-01, 1787-01, 1810-01, 1789-01, 1783-01, 1809-01, 1785-01, 1784-01 and 1780-01. 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 again.

TOM MULLINS: Tom Mullins and Jeff Taylor again.

GEORGE MASON: George Mason and Ertel Whitt on behalf of LBR Holdings, LLC again.

BENNY WAMPLER: Thank you. You may proceed, Mr. Swartz.

MARK SWARTZ: Okay, what I've done with this chart to sort of try to set the parameters of what units I think we're talking about today. Obviously, the first list of units that you'll see in the second column there Feb. '07 and those docket number for today and that's the one through nineteen that Mr. Wampler has just called those cases. Then the next set of units would be the January '07 and I've identified the numbers that were assigned to the items...the units that are referenced there by the docket numbers in January. Then we've got the December docket. There's

really only one case that was relevant to today. Then we've got a bunch of cases, I think sixteen, with their docket numbers and unit number, that were addressed in November. Basically, what I've done here is I've taken the unit number in the first column. I've identified when you addressed these issues first and some of them have been addressed at several...at several hearings and that's indicated in the status comments. I've given you the docket numbers. The well cost dollars were taken directly from the GeoMet application. So, that was the costs that they reported in their testimony and in their applications for the one well that they propose to drill in each of these units. I then...the unleased percentage is the GeoMet percentage that was reported in their exhibits for oil and gas. I didn't pay any attention to coal. So, this would be the unleased piece of the oil and gas interest as they reported in their applications and then I simply multiplied the unleased percentage times their well costs estimate to look at what it would cost people to participate in these units. I would point out to you that the only potential participant is not just CNX and their lessors. There are other people in these units. So, I've taken the total participation potential and calculated that and then I've summed those and sub totals. Then I have tried under status to give you an indication of

what happened at the various hearings. If you'll go down to...just to give you an example, if you'll go down to A-34, which is about five or six up from the bottom of the first page, you'll see that I've reported that that was first called in November of '06 and then it was continued to December, it was continued to January and it was pooled in January. Just so you sort of have a sense of where that is headed.

The nineteen units that are on the docket today are either applications by CNX to repool a unit that was previously pooled and I've indicated that in the first five are in the category under the status comments or CNX has filed a change of operator. But, essentially, the nineteen units on your docket today are units that were previously pooled by this Board where CNX is seeking to be the operator by either repooling them or changing the operator. My remarks basically, with a tiny bit of testimony, I guess from...perhaps from Les, would be as follows and this would apply to all of these issues.

GeoMet has testified at previous hearings in this four month period, to my recollection, that they did not drill any wells at all in 2006. So, we have for a total...there are forty-one full units on these two pages. So, we have a total of forty-one pooling applications from

an operator who drilled no wells in 2006. As I recall, the testimony was that there may have been a well drilled in '05 that was completed in '06, but that was it. A fair question might be, why would someone who didn't drill wells for a year file forty-one pooling applications, and that's a question you might want to ask them.

I will also tell you that it is our position and understanding that with regard to the nineteen units on the docket today, and there has been testimony in the past with regard to this and filings with this Board, that Island Creek has given a consent to stimulate on these nineteen units...furnished a consent to stimulate to CNX Gas. As far as I know, GeoMet has no consent to stimulate with regard to any of these forty-one units, let alone the nineteen units that we're talking about today. In addition, I asked Les...you probably need to swear him in.

(Leslie K. Arrington is duly sworn.)

MARK SWARTZ: In addition, I asked Les to look at the area in which these forty-one units are located to determine whether or not there were any well locations at all that were not subject to a 2500 foot coal objection because, you know, the pertinent issue in that regard would be that LBR Holdings is a coal owner and they have a coal objection under the statute as a coal owner with the 2500

foot rule. Island Creek would also, as a coal owner, have that same 2500 foot objection. I asked Les, just theocratically, let's assume that people wanted to interpose that objection, are there any spots in all of these units or in this area covered by these units where that would not apply.

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, did you do that?

A. Yes, I did.

TOM MULLINS: Objection. I object. Again, the permitting issue and the objection to the permit is not relevant to a pooling application. In fact, we've gotten the cart before the horse. We have objections pending before the Board based upon the prior granting of the pooling applications. Those are before the Board. The only action the Board did was delay the issuance of its order. The objections stand. I have copies for each one of the units that we have here today. But we're replowing ground

that's already been plowed, planted and covered back over and watered. It's not appropriate to go forward at this point in time. They're barred under the principals of res judicata. This is not a proceeding for an involuntary...excuse me, involuntary transfer of operator designation and this matter should be...all of these matters should disposed of by the Board at this point in time because there has already been a decision rendered by the Board. We're only awaiting the written decision of the Board to moralize that.

GEORGE MASON: LBR Holdings also joins in that objection by GeoMet.

BENNY WAMPLER: I'm going to overrule the objection and, you know, the objection is noted. I think the Board...we're getting these cases coming at us from one to the other and the other back to us. It's kind of a revolving door here. So, I want the Board to hear all that either party has to say today. So, I'm going to be very liberal on what's said.

TOM MULLINS: My objection stands on the permitting.

BENNY WAMPLER: I understand.

GEORGE MASON: The same objection. Thank you.

BENNY WAMPLER: Noted.

Q. Mr. Arrington, did you undertake to look at this area where these forty-one units are to try to determine whether or not there were any well locations that might be available that would not be subjected to a 2500 foot objection?

A. With the exception of two very, very small areas, probably maybe five acres. I don't even think they're that big. Over the entire area, no there is no locations.

Q. Could you show the Board or at least illustrate to the Board using the map that you prepared to show where those little areas are and what you did to answer my question with regards to available locations?

A. I've prepared a map. The map shows in different colors the 80 acre units of all of the units that we've submitted, either GeoMet or us, and you can see the different colors along here. This is kind of the area. You'll see that I put a 2500 foot circle around all the existing wells that's out there. To find a location, as you can see, you don't see any inside these areas. You see really only two areas. This little piece right here, right in unit F-45, a very small area in that unit, which here Jewell Smokeless would have an objection to...a 2500 foot objection there.

Q. As well?

A. As well. The reason they would have an objection here---

TOM MULLINS: Objection to Jewell Smokeless' objection.

BENNY WAMPLER: Sustained.

A. And then there's one other small area over in unit E-37 and F-37. Just very, very small. The remainder area is covered with the 2500 foot rule.

Q. So, the only available locations would be the areas that are not shaded this sort of grey?

A. That's correct.

TOM MULLINS: Objection, because that map apparently shows information concerning Jewell Smokeless Coal Corporation who is not here, not a party and don't know what their position is on that. I object to the map and the testimony that has been provided.

GEORGE MASON: We join in that objection, LBR Holdings.

Q. Just wait...just wait. Leave it open. Do you know where Jewell Smokeless has coal leased?

A. Yes, I do.

Q. Why do you need to know that?

A. For that mining activity...active mining

activities.

Q. To help you locate wells?

A. Yes.

Q. Okay. Do you know whether or not Jewell Smokeless has coal leased in the first area you spoke to?

A. Yes, I do.

Q. And what is the answer? Do they have coal leased there?

A. Yes, they do.

Q. Do coal lessees have a right to make a 2500 foot objection?

A. Yes, they do.

Q. And was that your point with regard to that area?

A. Well, they can also object to the location due to their mining activities and safety.

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

BENNY WAMPLER: Based on that, I overrule the objection. The map can be introduced. That will be...what exhibit?

MARK SWARTZ: We're going to have to make a copy of it.

MARY QUILLEN: Mr...Mr. Chairman, I have one question for---

BENNY WAMPLER: Ms. Quillen?

MARY QUILLEN: ---Mr. Arrington. In those locations, you said in, except for those two that you pointed out, that there are already existing wells. Who are the operators? Do you know who the operators are of each of those wells that are already existing in that?

LESLIE K. ARRINGTON: Yes, ma'am, we do. Part of them are us and part of them are other oil and gas companies.

MARY QUILLEN: Okay. So, it's not just CNX exclusively?

LESLIE K. ARRINGTON: No, ma'am. No, ma'am.

MARY QUILLEN: It's multiple companies?

LESLIE K. ARRINGTON: Yes, ma'am, it is.

MARY QUILLEN: Thank you.

BENNY WAMPLER: Mr. Prather?

BRUCE PRATHER: Are some of them conventional wells?

LESLIE K. ARRINGTON: Yes, sir.

BRUCE PRATHER: Okay.

MARK SWARTZ: Well, there are a bunch of them that are conventional.

LESLIE K. ARRINGTON: Yes, there is...yes.

BRUCE PRATHER: Okay. You know it would be

helpful if on these plats if we had...I know it's not required, but if we had the offset wells on some of these plats it would really help.

MARK SWARTZ: Oh, on the pooling plats.

BRUCE PRATHER: Yeah, on the pooling plats.

MARK SWARTZ: Okay.

BRUCE PRATHER: It would be really be a big help.

LESLIE K. ARRINGTON: Okay.

MARK SWARTZ: We could do that.

BRUCE PRATHER: Okay.

MARK SWARTZ: We could do that.

LESLIE K. ARRINGTON: We'll start doing that.

MARK SWARTZ: We'll start...we'll start doing that, I mean, because we have to do it anyway.

BRUCE PRATHER: Yeah.

LESLIE K. ARRINGTON

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SWARTZ:

Q. Okay. The...as far as you know, Mr. Arrington, has GeoMet filed well permit applications for any of the forty-one units that are listed on the schedule that we filed today?

TOM MULLINS: Objection.

A. I don't believe so.

TOM MULLINS: Number one---.

BENNY WAMPLER: It's overruled. I mean, we're...you know, we understand the permit objection, but I'm going to let them get their testimony---.

TOM MULLINS: There's no foundation that he would be in a position to know that. I mean, he's...he's not the person to ask that question of.

MARK SWARTZ: He's entitled...his company is entitled to notice for goodness sakes, otherwise, we wouldn't be here on this.

TOM MULLINS: He can ask if he got notice.

MARK SWARTZ: I mean, we're in the units.

TOM MULLINS: He cannot ask if they've been filed.

MARK SWARTZ: That would be a reasonable conclusion. If he hasn't got a notice, as far as he knows, there have been no permit applications if they're complying with the law. I mean, this is---.

BENNY WAMPLER: I overrule the objection.

MARK SWARTZ: Fine.

Q. Have you applied for...you meaning CNX, applied for any permits in any of these units?

A. Yes, we have.

Q. Okay. I think there were a collection of

twelve.

A. I'm not sure of the number that was on there.

Q. Why don't you go ahead and count them?

A. Yes. Okay. Yes, twelve.

Q. And were there hearings with regard to those twelve applications before Mr. Wilson recently?

A. Yes, there was.

Q. And did Mr. Wilson, as Director, issue a decision?

A. Yes, he did.

Q. And did one of the things that he decide in his decision or was one of the things that he decided in his decision was that if you are not a Board designated operator in a pooled unit there is no point in submitting a permit application to his office?

A. Yes.

Q. And as a consequence of that and some other reasoning, did he deny...the Director deny all twelve of those permit applications?

A. Yes.

Q. Now, if the Board were to enter these orders, would there be an election notice required to go out to people in these units?

A. Yes, there would be.

Q. And would one of their options under the Board's standard order be an option or an opportunity to participate?

A. Yes, there would.

Q. If everybody who an option to participate in these units...let's take the first nineteen, if everyone on the oil and gas side who had an option to participate participated, what amount of money collectively would they be tendering to the operator?

A. \$5,054,489.

Q. And how does that compare to the total well costs in the sense of is it more than half?

A. Yes, substantially more.

Q. Okay. And where would most of that money, if you understand the terms of these applications, go? Would it go into escrow or would it go directly to GeoMet?

A. GeoMet.

Q. So, if everybody participated GeoMet would get roughly 5.3 million dollars in participation funds?

A. Yes.

Q. If GeoMet didn't permit and drill any wells for a two year period that these orders were in effect, where would that money remain?

A. In GeoMet.

Q. And at the end of the two years or two years plus, because it takes a while to get an order entered, what would then happen to that money under the standard order terms?

A. It would be returned.

Q. To the people who participated?

A. Yes.

MARK SWARTZ: In conclusion, this has not happened before. So, we didn't need rules about people submitting applications to the Board when there were a significant question as to whether or not they would actually be drilling a well or they actually could drill a well. We've got a standard Board order that I think assumes that the person designated by the Board as operator will actually be able to proceed to drill a well and actually get it done within the two year window of time that the Board has given operators.

We've talked some in the past about due diligence and expectations with regard to the diligence of operators and it would seem to me that you, as a Board, have some choices and have an opportunity to make some choices with regard to your duty or responsibility to foster coalbed methane development and other oil and gas development in this state. I think that you have an opportunity to step in here

and take a position on what should happen reasonably when there is a genuine dispute as to whether or not somebody can get a permit and can actually follow through as a designated operator within a reasonable period of time. There are a whole bunch of things that occurred to me. But I'm not on the Board. But a bunch of things that occurred to me as possible solutions. One would be if someone shows up at a hearing, whether it's somebody who has correlative rights in a unit, another possible operator, and raises what appears to be a bona fide question with regard to whether or not the applicant...proposed operator can actually get a permit. Should the Board pool the unit and say, are Board orders good for two years, but you've got six months to get a permit or you've got ninety days to get a permit. I don't think sixty days, you know, given Mr. Wilson's schedule is a reasonable amount of time. I don't think it's a reasonable amount of time for people either. So, I think it has got to be a minimum of ninety days if that was an answer, but I think six months is probably plenty of time to get a permit filed and get some kind of an answer. That would be one opportunity.

Another option would be if people are in front of you debating whether or not a permit can issue and whether or not an operator could actually exercise due diligence, which to me would include can this person or company actually drill

the well. If that issue comes up at a hearing and it's your conclusion that it's bona fide, because when I say bona fide I'm looking at what's reasonable, okay, you know, in context because, you know, Mr. Wampler is right. I mean, this is permitting and pooling issue has become a circle here. I mean, my expectation when I went...you know, when we filed these twelve permits was that we might get them, okay, but we needed an answer to that question. The answer that we've gotten is that your orders are important to Mr. Wilson in terms of what kind of applications that he will even entertain. So, CNX doesn't have and other operators don't have an opportunity to come before you on a unit that you've pooled saying, well, the operator that you designate has kind of slept on his rights, we've got a permit to drill in that unit and we would like you to change the operator. That opportunity, at least under this decision that we recently got, is not going to happen. So, an option would be if people come here and they're arguing about whether or not the applicant can get a permit, an option would be to just dismiss the petition and order the people who come back with a permit, you know, as a condition of filing a petition.

You know, I haven't thought of everyone that you might do. But it certainly would seem to me that you would want to feel like your orders gave operators, in general, an

opportunity to develop the unit. If there were serious question about an operators ability to develop a unit and they got here first and you felt that that was important, well, give them a reasonable amount of time to come back with a permit. Call their hand. If you feel like you don't even want to go there and you don't want to have stayed orders on the books and, you know, I think that's been a preference of this Board in general. You know, make a decision and move on rather than carry stuff forward. You know, if that's an option, well, then just dismiss the petition and say on this particular unit, you know, we're going to impose a condition that a pooling application be accompanied by a permit. Give us the number in your application or don't come back. I'm sure there are other...there are other options here.

But, you know, the bottom line is, is it reasonable to take acreage out of possible production for a two year period? Is it reasonable to enter an order that requires people to contribute potentially 8.125 million dollars to participate in these units if there is a reasonable question as to whether or not they can be drilled? I mean, do you have an obligation to put in your findings that questions were raised as to this operators ability to drill this well and to people who might want to participate ought to consider that in making a decision as to whether or not they want to

tie up their money for two years? You know, obviously, my client is sophisticated enough to make that judgment, but there are people in these units, you know, who haven't been at this hearings who have participation interests and, you know, what kind of heads up are they entitled to if there is a serious question with regard to whether or not these wells can actually be drilled?

If you enter pooling orders in a situation where wells can't be drilled, another option, because I've been thinking about this for several months now, and you decide that it's not reasonable to require people to participate in a unit if there's a question as to whether or not the unit will ever be drilled by this operator, maybe you pool the unit and you defer the election period until the guy gets a permit and you order the operator, when you have obtained a permit, send out a notice to the people who have participation rights or a right to be carried and tell them your time under the order starts running as of this notice. I mean, there a bunch of options you could use.

In conclusion, this a problem. You are, unfortunately or fortunately, the group of people that controls gas and oil develop in this state and needs to tell operators what you expect them to do in terms of what's reasonable. I would encourage you to make some reasonable

choice here with regard to development when this kind of an argument surfaces specifically when someone or whether it's an owner or an operator comes in and says there are good reasons why it is unlikely that this operator will be able to drill this unit what happens.

I appreciate you letting us come back to talk about this today. I've tried to combine this, you know, so that we're dealing with it in an efficient way in front of you. It's my position and Les' position that the issues on all forty-one of these units are related. That your decision, as far as we're concerned, would pertain to all these in terms of where we're headed here. So, I don't want to do this forty-one times today or some other day. But that's...that's where we are.

BENNY WAMPLER: Thank you. Mr. Mullins?

TOM MULLINS: I'd like to cross examine Mr. Arrington, please?

BENNY WAMPLER: You may.

#### CROSS EXAMINATION

#### QUESTIONS BY MR. ARRINGTON:

Q. Are you...you are not a representative of Jewell Smokeless Coal Corporation are you?

A. No, I'm not.

Q. You cannot state here today that Jewell Smokeless Coal Corporation would object to a permit filed by GeoMet can you?

A. No, I'm not.

Q. Does...in compliance with the Board orders, does CNX give notice for parties who are interested to participate?

A. Yes, we do.

Q. And do people participate?

A. Yes, they do.

Q. Have you ever had a well that you could not...or a unit that you could not get a permit for or could not drill within the two year window?

A. Without research, I can't answer that.

Q. Did you know that GeoMet drilled two Virginia wells in January of this year?

A. I knew they had two...they had two permits. I didn't know that they had drilled those two wells this year.

Q. So, you didn't have that knowledge?

A. No, not on those two wells. I knew they were permitted.

Q. And the price paid for participation is based upon the ownership interest in the unit, is it not?

A. Yes, it is.

Q. So, the money that's being fronted if the well is a paying well they'll make...more than make their money back, will they not?

A. It's according to what the production is.

Q. If it's a good well and is a good producing well they will make money, will they not?

A. They will.

Q. That's why participate?

A. That's the chance they take, right.

Q. And it's the same chance that people who participate in CNX wells take, is that not true?

A. That's right.

Q. Now, Island Coal Company and CNX are related entities, are they not?

A. Our parent company...we are...CNX Gas Company is a public traded company and Island Creek's parent company owns 81% of our company.

Q. Okay. So, CNX and Island Creek Coal Company are related entities, is that true?

MARK SWARTZ: I'm going to object to that. I don't believe the definition of related company includes that.

BENNY WAMPLER: I'm going to overrule and let him...maybe rephrase your question.

TOM MULLINS: Sure.

Q. What's the commonality of ownership between Island Creek Coal Company and CNX?

A. Consol Energy.

Q. Okay. And Consol Energy is the interface between the two companies, is that correct?

A. You know, I...Consol Energy owns 81% of CNX Gas Company.

Q. And owns Island Creek Company?

A. Yes.

Q. And it's to Consol Energy's benefit to grant a consent to stimulate to CNX, is it not?

A. Yes.

Q. And it's to Consol Energy's benefit to try to prevent other operators from obtaining a consent to stimulate, isn't that true?

A. I would think so.

Q. Okay. So, it's really for the cooperate benefit that the consent to stimulate has been given to CNX or withheld from others?

A. Well, I defer to the management of Consol Energy to make that comment.

Q. All right. GeoMet has recently participated in some of CNX wells, have they not?

A. I think two, I believe.

Q. Do you know what units those are?

A. No.

Q. GeoMet paid their proportioned share at the time that they elected to participate, isn't that correct?

A. Yes, they would have.

Q. And, likewise, we're at the mercy of CNX to drill that unit within two years?

A. Probably already drilled.

Q. That wouldn't my question. We're at the mercy of CNX to get that unit drilled within the two year period, is that correct?

A. Yes, you were.

TOM MULLINS: I don't have any other questions of the witness. I will have argument when it's my turn to argue.

BENNY WAMPLER: Mr. Mason?

GEORGE MASON: I don't have any questions at this time. Thank you.

BENNY WAMPLER: Okay. Go ahead and make your argument.

TOM MULLINS: In your response to Mr. Swartz's argument, I have previously submitted and incorporated objections to their pending applications. I incorporate

specifically in each one of the nineteen, and I have copies for each one of the files if we need to make it a part of each file, those objections.

Mr. Swartz's argument was basically what's the best thing to do. Unfortunately, this Board is limited by the statute and what authority has been granted to it under the statute. It's not what in a perfect world everybody would want to have happen or see happen. You're limited by the terms of what the...what authority you're given by the legislature to do. The pooling provisions were very specific. GeoMet has done what was required by the statute. This Board has considered those and approved those applications. This is the same issue...I don't see any newness to the issue. The issue has been present since 1990. I'm one of the folks that made a first appearance before the Board right after the Board was formed in 1990. This is not a new issue. This issue has been pending and present throughout the life of the 1990 Gas and Oil Act. There have been wells that have been pooled and not drilled because of problems. That has happened and, unfortunately, that does happen. Unfortunately, that is a risk of doing business that the operators take because it's not inexpensive to come before this Board and do all the work necessary to file an application and get approval of this Board. It's not a cheap

undertaking by any stretch of the imagination. It's a risk that we take. We don't take it for the purpose of delay or hindrance or for any improper purpose. We do it to further the business interest of the companies that I represent and that the companies that come before the Board and to produce the gas. It is not an academic exercise. It's a practical application of the law to get the gas out of the ground.

Unfortunately, there are issues involved here that don't...between these two companies that have nothing to do with these pending applications. They go much deeper than that. This is being utilized, in my opinion, as a tool to further those problems. But this Board's scope is very well defined. You have considered the evidence in November. You have considered the evidence in December. You have weighed that evidence and you have made a decision. To attempt to now, I guess, rethink that decision is not proper. CNX participated fully in those hearings. They asked to be named operator in those hearings. They are now barred from biting...taking a second or third bite at the apple by asking this Board to again name them as operator. The Board's authority for transferring operatorship is defined by statute. Again, that is narrowly defined. That action can be taken only upon a finding that the currently named operator is not properly developing the unit. That's not

anything that can be done before even the order is issued.

So, I would like to ask the Board to dismiss the pending applications, which are the nineteen items that are before and direct that the written order be moralized and issued in all of these nineteen units. I don't think there's evidence for this nineteen units that would allow you to enter an order in favor of CNX. There has not been the necessary showings for a force pooling of those units for CNX. We can all get back to the business...the Board get back to its business of reviewing applications and issuing orders for a pooling, where appropriate, and put this to rest.

BENNY WAMPLER: Mr. Mason?

GEORGE MASON: On behalf of LBR Holdings, LLC, at great expense to my client, both myself and Ertel Whitt have appeared before the Board in November and December, in January and here in February. Very clearly in the record we said...I said on behalf of the client that we came here in support of the pooling petition of GeoMet Operating Company, also, that they be designated as the unit operator for each one of those force pooling petitions. So, we're back here in February and requesting that you implement the decisions that were made in November and December authorizing the pooling of those petitions, designated the operator, and also dismissed

the applications of CNX.

LBR Holdings has done its own evaluation, due diligence, not legal diligence but some evaluation on some and it has determined of operators out there that they like and support GeoMet has developing their property. So, that's why came here at great expense and time to support those petitions of GeoMet. So, we agree with the arguments made by Counsel for GeoMet and the objections and fully request that the Board here implement those decisions that were made in November and December and also dismiss the nineteen petitions that have been filed by CNX for repooling and change of unit operator. Thank you.

MARK SWARTZ: Just four points.

BENNY WAMPLER: Mr. Swartz?

MARK SWARTZ: I don't think that it is reasonable to file forty-one pooling applications unless you have a reasonable expectation that you could drill the wells. I think that that is clear that there are forty-one applications here, nineteen on the docket today, and they have no reasonable expectation that they can ever drill any of these wells. Mr. Mullins---

TOM MULLINS: Objection to him saying, what we think is reasonable. He can't speak to what we think is reasonable.

BENNY WAMPLER: Sustained.

MARK SWARTZ: Mr. Mullins' response that you just heard did not include any of the following: We are about to file forty-one permit applications. We think we can get these permit applications. He didn't say one word in his closing to challenge my assertion that he has...his client has no reasonable expectation of ever getting a permit in these forty-one units. He didn't even comment on that.

The last comment that I would make is his argument started by telling you that you couldn't, in his judgment, do the reasonable thing. You have the power to do something reasonable under the circumstances here and you should do it. That's all I have.

BENNY WAMPLER: Mr. Mullins?

TOM MULLINS: Yeah. We didn't offer any evidence. It's not our burden to offer evidence about what permit applications and regardless of how much us lawyers think about what we say as being evidence, what we say is not evidence. What Mr. Swartz says is not evidence. It cannot be accepted as evidence and what I say is not evidence and cannot be accepted as evidence. We merely make argument for the facts and the law. So, what he says is reasonable or unreasonable, as far as the fact goes, has no merit. What GeoMet plans to do is not an issue. We're here on

applications on behalf of CNX. They didn't offer any evidence of filing permit applications. They put on a witness. If I understood their evidence...their witness' testimony properly, they think that it's unpermissible from what they said from Jewell Smokeless' standpoint. So, from their own testimony, taking their own argument, they won't be able to obtain permits on this. So, in fact, they just had twelve well permits denied.

So, if it's going to bak into the permitting issue again, we're blending the Board's responsibility with Mr. Wilson's responsibility, which should not happen, but if that's where we're going and we're commenting on lack of evidence...first we had no burden and second they didn't produce any either. As far as being able to fashion a remedy, this is, unfortunately, not a Court of equity that has broad powers to fashion equitable remedies to address issues. You're limited by the statutory authority given and the regulatory provisions adopted pursuant to those statutes. There is no authority, it is our position, for the Board to name CNX as the operator on any of these repooling and change in operator designations because (A) they haven't submitted the evidence to show that they can be...no notice. None of the other issues; and, second, it's not proper pursuant to the objections previously filed. Thank you.

BENNY WAMPLER: Mr. Mason?

GEORGE MASON: LBR Holdings, LLC joins in the arguments of Counsel for GeoMet. Thank you.

MARK SWARTZ: I still haven't heard from the alleged designated operator that they expect to be able to drill these wells. That's all I have.

BENNY WAMPLER: Questions from members of the Board?

MARY QUILLEN: Mr. Chairman, I have one question---

BENNY WAMPLER: Ms. Quillen?

MARY QUILLEN: ---for Mr. Arrington. In this matrix that you have put together on the participating dollars, 8.1 million dollars, and you testified that the participating dollars would go to the designated operator that would be drilling the well. And just clarify, do these participating owners...that's not what I wanted to ask. When do these participating owners submit these participating dollars to that operator? At the very beginning before the well---

LESLIE K. ARRINGTON: Yes, ma'am.

MARY QUILLEN: ---before the well is drilled?

LESLIE K. ARRINGTON: Yes, ma'am. When you get the Board order you have thirty days to make your election and

forty-five days to pay your funds.

MARY QUILLEN: And, technically, the designated operator would have the 8.1 million dollars at their disposal?

LESLIE K. ARRINGTON: Yes, ma'am.

MARY QUILLEN: And they can put that in the bank and draw interest, is that correct?

LESLIE K. ARRINGTON: Yes, ma'am, unless it's a conflicting ownership.

MARY QUILLEN: Who benefits from the interest on this 8.1 million dollars?

LESLIE K. ARRINGTON: The operator.

MARY QUILLEN: Not the participating owner?

LESLIE K. ARRINGTON: No, ma'am. There's no requirement in the orders to pay interest.

MARY QUILLEN: And at the end of the two year window if that operator is unable to drill that well, then the participating dollars from that owner, they would...those participating dollars would be turned to that individual person?

LESLIE K. ARRINGTON: Yes, ma'am, it should be.

BENNY WAMPLER: Other questions? Mr. Prather, did you have---?

BRUCE PRATHER: I had a question. Mr. Arrington,

on the participation dollars of the 8 million, I don't want to ask you what...what amount, but what percentage of that is CNX and what percentage of it would be LBR's?

LESLIE K. ARRINGTON: Well, the total...the total costs that you see for all of the wells would be 15 million dollars.

BRUCE PRATHER: Right.

LESLIE K. ARRINGTON: And, of course, 8 million of it would be the unleased interest that's out there and approximate...again, this approximate, I don't have that before me, I would say...estimate 75% of that, maybe even greater, would be CNX Gas.

BRUCE PRATHER: Okay. Contrary to that, how much does LBR have in that percentage, George?

GEORGE MASON: The remainder.

BRUCE PRATHER: Okay.

BENNY WAMPLER: Other questions?

(No audible response.)

MARK SWARTZ: Well, LBR would have the differences between 8.1 million and 15.6 and not the remainder. That is---

BRUCE PRATHER: Oh.

MARK SWARTZ: ---exactly what they would have or GeoMet---

BRUCE PRATHER: Okay.

MARK SWARTZ: ---because there's roughly 25% of the  
8 million that third parties would have.

BRUCE PRATHER: Okay.

GEORGE MASON: Which would be like the Rogers  
Cousins, I presume.

MARK SWARTZ: No, no. Which would like PMC, the  
Ritter---

LESLIE K. ARRINGTON: Just unleased owners.

MARK SWARTZ: Unleased owners, right.

BRUCE PRATHER: Okay. Thank you very much.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: Motion to deny all nineteen, Mr.  
Chairman.

BENNY WAMPLER: We have a motion to deny. Is there  
a second?

(No audible response.)

BENNY WAMPLER: No second. The motion dies---

PEGGY BARBAR: I second.

BENNY WAMPLER: You second?

PEGGY BARBAR: Yes.

BENNY WAMPLER: Okay. Motion and 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: Is that everybody yes?

(All Board members signify affirmatively.)

BENNY WAMPLER: All nineteen are denied. Thank you. The next item on the agenda is a petition from Chesapeake Appalachian, LLC for creation of unit and pooling of conventional gas unit 826204. This is docket number VGOB-07-0116-1858, continued from January. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson?

BOB WILSON: I got an email from Mr. Kaiser who represents Chesapeake asking that this item be placed toward the end of the agenda with the other items that he has. I think that he has some that he's going to withdraw at that time as well.

BENNY WAMPLER: All right. We move it to the end. Next is a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-190, docket number VGOB-07-0116-

1863.

BOB WILSON: This as well is one of Mr. Kaiser's---

BENNY WAMPLER: So, we need to move it?

BOB WILSON: ---which he's either going to withdraw or wish to carry to the end of the hearings today.

BENNY WAMPLER: Okay. All right. Next is a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 5B, unit 4. This is docket number VGOB-05-0816-1487-01. 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 Anita Duty.

KARL KINDIG: Karl Kindig for Russell Gambill.

(Anita Duty passes out an exhibit.)

(Anita Duty is duly sworn.)

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Would you state your name for the record?

A. Anita Duty.

Q. Who do you work for?

A. CNX Gas Company.

Q. What do you do for them?

A. I take care of the escrow accounts.

Q. Among other things?

A. Yeah.

Q. Okay. Have you looked at escrow account issues regarding---

MARK SWARTZ: Did you call both units, Mr. Chairman?

BENNY WAMPLER: No.

MARK SWARTZ: Maybe we should. We could save a little bit of time. Both dockets, I mean.

BENNY WAMPLER: We'll also call unit V-4, docket number VGOB-05-0816-1489-01. Go ahead with the testimony on both.

MARK SWARTZ: Mark Swartz and Anita Duty on that one as well.

KARL KINDIG: Karl Kindig for Russell Gambill on both of these dockets.

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

ANITA DUTY

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SWARTZ:

Q. Anita, with regard to U-4, would you tell the Board what...what you did or had done under your supervision with regard to this escrow account?

A. We requested the history report from Wachovia and we compared the balance that we had sent in. Rus Gambill has put in his participation dollars. We had also put in an additional deposit as his net income for drilling the well.

Q. So, you compared your records with regard to the money that you had either sent or believe was sent to the escrow agent...the escrow agent's records?

A. Yes.

Q. And when you compared them, would you tell us whether or not they were in agreement?

A. Yes, they were.

Q. Except for costs and interest?

A. Yes.

Q. And did you account for that as well?

A. Yes.

Q. Okay. And have reported on this exhibit with regard to...that you've passed out to the Board today, the dollars and also the percentages pertaining to the escrow distribution?

A. Yes.

Q. And what are the total dollars on deposit as of 12/31/06?

A. For U-4, it's \$72,023.59.

Q. And how would that split between CNX and Mr. Gambill in terms of dollars?

A. CNX's portion would be \$55,628.90 and Gambill's portion is \$16,394.61.

Q. And was it also necessary to calculate percentages?

A. Yes.

Q. And have you done that?

A. Yes.

Q. And have you handwritten that on what you've passed out to the Board, I hope?

A. Yes.

Q. Okay. And what is the CNX percentage?

A. 77.2371%.

Q. And what is the Gambill percentage?

A. 22.7629%.

Q. And are you requesting that when the Board enters an order disbursing these funds the escrow agent be authorized to disburse according to percentages rather than dollars?

A. Yes.

Q. And that would then, at the time of the distribution, allow the escrow agent to disburse funds subsequently deposited?

A. Yes.

Q. Are you also asking that the Board order allow the operator to pay Mr. Gambill and CNX directly rather than escrowing in the future?

A. Yes.

MARK SWARTZ: That's all I have with regard to U-4?

BENNY WAMPLER: Mr. Kindig, any questions? Any questions or comments?

KARL KINDIG: Would you like me to comment on U-4 or wait until they're done with---?

BENNY WAMPLER: It's choice.

KARL KINDIG: I'd just as soon wait until they're done with both---.

BENNY WAMPLER: Okay.

KARL KINDIG: ---because my comments are somewhat generic.

BENNY WAMPLER: Okay.

BOB WILSON: Mr. Chairman---.

BENNY WAMPLER: Let me ask...excuse me, Mr. Wilson.

BOB WILSON: No, no, please, go ahead.

BENNY WAMPLER: Russell Gambill, G-A-M-B-I-L-L, is that who we're talking about? Russell---

ANITA DUTY: Yes.

MARK SWARTZ: Yes.

BENNY WAMPLER: Okay. Go ahead, Mr. Wilson.

BOB WILSON: According to your application there are others who will remain under escrow in this unit, is that correct or am I---?

ANITA DUTY: Yes. But there's no...there's no supplemental order yet, so there's no additional money in there that belongs to...as a royalty interest.

BOB WILSON: Okay. So, all of the money that's in the account belongs to this working interest and so it will actually be disbursed 100%?

ANITA DUTY: Yeah, it will be zeroed out, but the account needs to remain open.

BOB WILSON: The account still needs to be remained open for---?

ANITA DUTY: Yeah. For royalty interest.

BOB WILSON: Okay. Thank you.

ANITA DUTY: Conflicting royalty owners.

BOB WILSON: We're good. Thank you.

BENNY WAMPLER: And you'll file a supplemental order at some point to cover that?

ANITA DUTY: Yeah.

BENNY WAMPLER: You may proceed.

ANITA DUTY

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SWARTZ:

Q. With regard to...now, moving V-4, okay.

What did you do with regard to V-4 to come here today?

A. I compared the same records.

Q. Okay.

A. There was one problem on this account.

Q. Okay. And what was that problem?

A. There were two checks that were sent in for conflicting royalty for unit W-4.

Q. Okay. And that's right in the middle sort of the spread...of the list here?

A. Yes.

Q. And there's an \$81.83 check and a \$137.56 check that should have been deposited in the W-4 escrow account?

A. Yes.

Q. And are you requesting that...and we'll get to the percentage in a minute, but that the W-4 money be placed in the W-4 account rather than disbursed to CNX and

Mr. Gambill in the V-4 unit?

A. Yes.

Q. Okay. Now, have you...other than that discrepancy, the W-4 money, did the records of the payments that you have and the bank's receipts agree?

A. Yes.

Q. And then you've also accounted for interest and charges that the bank might have made?

A. Yes.

Q. And what are the...what were the dollars in the account for V-4 as of 12/31/06 that are subjected to this application?

A. \$29,802.49.

Q. And how would that split in dollars between CNX and Gambill and W-4?

A. CNX own \$19,948.35, Gambill \$9,632.35 and W-4 \$221.79.

Q. And have you calculated the percentages that the escrow agent should use when the escrow agent makes the disbursements to CNX, Gambill and W-4?

A. Yes.

Q. What's the CNX percentage?

A. 66.9352%.

Q. And what's the Gambill percentage?

A. 32.3206%.

Q. And what would the W-4 percent be?

A. 0.7442%.

Q. And if you add those three together, do you get a 100?

A. Yes.

Q. Okay. Are you requesting that the Board's order direct the escrow agent to make those percentage distributions?

A. Yes.

Q. And are you asking the Board to enter an order authorizing the operator to pay future funds directly to CNX and Gambill?

A. Yes.

Q. Does this account have to remain open?

A. Yes.

Q. Because there are other folks who have money in it?

A. Yes.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Thank you. Mr. Kindig?

MARY QUILLEN: I have just one question.

BENNY WAMPLER: I'm sorry, Ms. Quillen?

MARY QUILLEN: If Anita could repeat the percentage

for the W-4.

ANITA DUTY: 0.7442%.

MARY QUILLEN: 0.---?

ANITA DUTY: 7442.

MARY QUILLEN: ---7442?

ANITA DUTY: Uh-huh.

MARY QUILLEN: Okay, thanks.

BENNY WAMPLER: Mr. Kindig?

KARL KINDIG: Thank you, Mr. Chairman. My understanding is that the escrow accounts that there would be no further funds added to the escrow accounts with respect to production for Mr. Gambill's share of production from these wells. If that is the case and these percentages are correct, obviously, if there were additional funds put into escrow in respect of participating interest, then the percentages would change. But if the only moneys that would be added the escrow account are interest and that all further payments...since there have been no payments, all payments that are in respect of percentage working interest that follow what has already been put into escrow or paid directly, then I agree with the applicant that the percentages are accurate. So, with that understanding that anything that is not already in the escrow account with respect to his working interest would be paid directly to him

rather than cycling it through the escrow account, then these percentages are correct.

The only other comment that I would make is that this morning is the first time that I've been provided a copy of the accounting for these wells. I don't think the lateness is in anyway bad faith on the part of CNX. I think they're just...their accounting system is just a little overwhelmed right now. In quickly reviewing these, I think they're very close. What I'd like to ask the Board is to approve the petition, because this has been a very tenanted process for my client, subject to retain jurisdiction if there's some issue that CNX and Mr. Gambill can't work out on the details of these accountings, but I don't anticipate that that will be a problem. But I would like not to lose the ability to at least come back to the Board if some problem exists after I have a chance to study these. But I really would prefer not to delay the granting of this petition any further.

BOB WILSON: Mr. Chairman, may I comment on that, please?

BENNY WAMPLER: Mr. Wilson, sure.

BOB WILSON: When we draft the order for this disbursement, we'll be happy to let you approve that draft order before it goes out. We routinely do that.

KARL KINDIG: Hopefully, we'll get all of that...that will be satisfactory.

MARK SWARTZ: Could you tell us, just on the record, where do you...who you want us to send the checks...the escrow agent to send the checks to your client, to you or---?

KARL KINDIG: No, send them to Mr. Gambill.

MARK SWARTZ: Okay.

BENNY WAMPLER: Anita, I'll just ask you, you know, based on Mr. Kindig's comments earlier as to disbursement, did you agree with his assessment that all further payments would be made directly to Mr. Gambill?

ANITA DUTY: Yes. The only reason that was in there to begin with is because there was a...he was a participating conflicting owner and now they have an agreement. So, that will no longer exist.

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

(No audible response.)

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

MARK SWARTZ: I'm just thinking about a number here. Hold on.

(Mark Swartz confers with Anita Duty.)

MARK SWARTZ: We need to think through this for a moment here. Let's go back to V-4. Anita, let me...let me run this by you here. In V-4, we've balanced through 12/31/06, okay?

ANITA DUTY: Okay.

MARK SWARTZ: And I understand that the percentages that you've reported would apply as of that date and we would split a 100% of the money three ways, okay?

(No audible response.)

MARK SWARTZ: You have to answer out loud.

ANITA DUTY: Yes.

MARK SWARTZ: Okay. If royalties were received for January and February and possibly March, okay, none of those royalties would be attributable on a percentage basis to W-4.

ANITA DUTY: No.

MARK SWARTZ: Is that correct?

ANITA DUTY: Yes.

MARK SWARTZ: Okay. Which means that we probably need to revise this split to be percentages applied only to a net number after deducting the W-4 money, otherwise we're going to be wrong. Do you follow my logic here?

ANITA DUTY: But this money is going to gain interest too?

MARK SWARTZ: But only interest and not royalty?

ANITA DUTY: Well, there's not going to be any royalty.

MARK SWARTZ: No, but don't we have January and February and March?

ANITA DUTY: No.

MARK SWARTZ: We don't, okay.

ANITA DUTY: No, there's no royalty going in.

MARK SWARTZ: Okay. So, there's no...the moneys on deposit are only going to change by the addition of interest?

ANITA DUTY: Yes.

MARK SWARTZ: And there will be no royalties that would then screw up the percentages?

ANITA DUTY: No.

MARK SWARTZ: Okay, good. I just wanted to make sure.

DONNIE RATLIFF: I move to approve, Mr. Chairman.

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.

(No audible response.)

BENNY WAMPLER: You have approval.

KARL KINDIG: Thank you, Mr. Chairman.

BENNY WAMPLER: Thank you.

MARK SWARTZ: Les has requested a brief break.

Would that work?

SHARON PIGEON: It works for me.

BENNY WAMPLER: I think the Board would agree with you. We'll take five minutes.

(Break.)

BENNY WAMPLER: Let's come to order. We're going to go ahead and continue the hearing. I called to order, gentlemen. Hey! The next item on the agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit B-33, docket number VGOB-07-0220-1867. 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.

TOM MULLINS: Tom Mullins with the Street Law Firm on behalf of GeoMet and Jeff Taylor with GeoMet.

GEORGE MASON: George Mason and Ertel Whitt on behalf of LBR Holdings, LLC.

TOM MULLINS: Mr. Chairman, I can probably make a statement that will shorten both Mr. Swartz's presentation and the Board's hearings. First, I would like to incorporate

the evidence that we presented in the June the 20th hearing concerning a better operator. I understand the Board's position on that. The Board has already ruled on that and denied our objections at that time, but I would like to incorporate those. Also, I believe this is an application, if I am not mistaken, and if I am I apologize, that CNX has filed...excuse me, that would be the limit of our objections on item number twenty-four. I can make the objection to the remainder of them at this time and incorporate it to the remainder of those or we can do it item by item. It doesn't matter to me. It's really the pleasure of the Board and the pleasure of Mr. Swartz.

BENNY WAMPLER: Are you saying the others, the objection would be different for the others?

TOM MULLINS: We would incorporate the same objection. The additional objection for the others, I think they have filed an application requesting that Appalachian be named as the operator in those and it's our position that the statute does not contemplate that or authorize that. If CNX is the applicant, they can be named the operator. If Appalachian is the applicant, they can be named the operator, but you can't apply...you can't have a proxy application for another operator. The statute does not authorize that. That's the additional objection that we have to that. We

don't have any further evidence to present. We would just like to have those objections to those applications noted and if that's acceptable to the Board to the remaining items, we don't have to keep talking.

SHARON PIGEON: Yeah, right.

BENNY WAMPLER: We'll note those objections.

GEORGE MASON: Mr. Wampler, on behalf of LBR Holdings, LLC, we adopt as our own the objections and the statements that previously are heard by Mr. Mullins on behalf of GeoMet Operating Company. Thank you.

BENNY WAMPLER: Thank you.

TOM MULLINS: And I'm happy to sit here, but if...and I'm willing---

BENNY WAMPLER: Your objections are on the record. You can do what you want.

TOM MULLINS: Thank you, sir.

BENNY WAMPLER: Thank you. Mr. Swartz, you may proceed.

MARK SWARTZ: Mr. Arrington and I on behalf of CNX want to withdraw items twenty-four through thirty-six for the following reasons: CNX had filed these in response to the GeoMet filings. We have been negotiating with LBR Holdings to see if we can find a way to allow them to benefit under their Equitable lease and the GeoMet Farmout, but we haven't

been able to reach an agreement with them. In light of those circumstances, CNX has no reasonable prospect of getting a permit in any of these units, absent an agreement with LBR Holdings. So, we're not going to pool units that we can't get the permits in. So, we're withdrawing, with your permission, items twenty-four through thirty-six.

BENNY WAMPLER: Those items are withdrawn?

MARK SWARTZ: Yes.

BENNY WAMPLER: All right. The Board accepts that withdrawal. I'll go ahead and put those docket numbers in the record that are withdrawn. Also, VGOB-07-0220-1869, 0220-1870, 0220-1871, 1872, 1873, 1874, 1875, 1876, 1877, 1878, 1879, 1880. The next item on the agenda is a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 826107, docket number VGOB-07-0220-1882. We'd ask the parties that wish to address the Board in this matter to come forward at this time. How are you, Mr. Kaiser? You barely made it, didn't you?

JIM KAISER: I was not here earlier, Mr. Chairman. I was thinking it maybe item---

BENNY WAMPLER: Do you want us to get twenty?

JIM KAISER: Yeah, let's do twenty because that's the only one that Mr. Baker needs to be here for.

BENNY WAMPLER: Strike the one that I just called.

Back up and get twenty and twenty-one. This is a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-190, docket number VGOB-07-0116-186...I'm sorry, 1858. 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.

(Dennis Baker and Stan Shaw are duly sworn.)

BENNY WAMPLER: For the Board's information, we went back to number twenty. I had called the other, but we're backing up now because we had said earlier twenty and twenty-one and we're going to the end and we're picking those up now.

JIM KAISER: Actually, if you want to do some housekeeping before we get into this one. Twenty-one I'm representing Appalachian Energy, we'd ask that that one be withdrawn.

BENNY WAMPLER: Okay, that's docket number VGOB-07-0116-1863. It's withdrawn.

JIM KAISER: We've refiled that for March as an increased density well.

BENNY WAMPLER: All right. The record will show no others, you may proceed.

JIM KAISER: Mr. Chairman and Board members, we originally filed the application of force pooled, this well being 826204 in January and continued it at the January hearing because prior to the...in between the time that we filed it in December and prior to the January hearing, we discovered some subsequent title and survey work. There was an additional tract in the unit and that's Tract Number 5. So, we had a...obviously, we had a notice problem. I have a revised plat and set of exhibits that Mr. Baker will hand out and then we'll get into our testimony.

(Jim Kaiser passes out revised exhibits.)

JIM KAISER: All right. We'll start with Mr. Baker.

DENNIS BAKER

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, if you would state your name, who you're employed by and in what capacity?

A. My name is Dennis Baker. I'm employed by Chesapeake Appalachia, LLC as Senior Landman.

Q. Okay. Now, when filed this application in

December for the January docket, as I stated previously, what happened was our...some additional supplemental title work or survey work discovered this Tract 5, which is over at 9:00 o'clock on the circle. That is actually a tract that is owned by Timothy and Amy Ratliff. We discovered that tract and leased that tract. So, as far as any parties that we'll be pooling, they're actually the same, two unleased parties. That would have been in January, right?

A. That's correct.

Q. Okay. Anyway, do your responsibilities include the land involved here and in surrounding area

A. Yes.

Q. Are you familiar with the application that we filed...the revised application that we...with these exhibits that we filed in January?

A. Yes.

Q. And we're seeking to force pool any unleased parties in this unit and form a...establish a drilling unit?

A. Yes.

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

A. Yes, we do.

Q. Prior to the filing of the application, were efforts made and an attempt made to work out a voluntary

lease agreement with each of the parties involved in the unit?

A. Yes.

Q. And what's the interest under lease to Chesapeake within the unit?

A. Currently leased 86.755701%.

BENNY WAMPLER: It's not what---

JIM KAISER: No---

A. I'm sorry. I'm sorry, I've got the wrong one. That was just the application.

JIM KAISER: Strike that.

A. Strike that, yes. 86.897684%.

Q. And the percentage that remains unleased at this time?

A. 13.102316%.

Q. Okay. And that's represented by the interest owned in Tract 2 by Ruby Sullivan Beers and Paul Sullivan?

A. That's correct.

Q. Are all unleased parties set out in revised Exhibit B-3?

A. Yes.

Q. Okay. We don't have, in this particular case, any unknown or unlocateable parties, is that correct?

A. That's correct.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes, I am.

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

A. It's five dollar per acre consideration, a five year term with a 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. Yes.

Q. Now, as to the two unleased interest owners in Tract 2, do you agree that they be allowed the following statutory options with regard 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/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 his or her share 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 the elections by any respondents be in writing and sent to the applicant at Chesapeake Appalachia, LLC, 900 Pennsylvania Avenue, Charleston, West Virginia 25362, Attention: Donna

Snyder?

A. That's correct.

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

A. Yes.

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

A. Yes.

Q. Should the unleased respondents be given 30 days from the date that they receive the Board order 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 the actual 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. Yes.

Q. Should the applicant be allowed a 120 days

following the recordation date of the Board order and thereafter annually on that date until production is achieved to pay or tender any cash bonus becoming due or delay rental becoming due under the force pooling order?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Okay. In this particularly case, we do not need...the Board does not need to establish an escrow account, 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 at this time, Mr. Chairman.

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, you're employed by who and in what capacity?

A. I'm employed by Chesapeake Appalachia as a reservoir engineer.

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

A. Yes.

Q. And you're familiar with the proposed exploration of this unit?

A. I am.

Q. And what's the total depth of the proposed

well?

A. 6,615 feet.

Q. Are we requesting the force pooling of conventional gas reserves to include the designated formations and any other formations excluding coal formations, which may be between those formations designated from the surface to the total depth drilled?

A. Yes.

Q. What are estimated reserves for this unit?

A. 300 million cubic feet.

Q. Are you familiar with the well costs?

A. I am.

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 the AFE represent a reasonable estimate of the well costs?

A. Yes.

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

A. The dry hole costs are \$338,417 and the completed well costs are \$611,685.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

JIM 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 with the revised plat and revised B and B-3.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. We'll go to number thirty-seven on the Board's docket. This is a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 826107. This is docket number VGOB-07-0220-1882. 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 Stan Shaw on behalf of Chesapeake.

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

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, again, state who you're employed by and in what capacity.

A. I'm employed by Chesapeake Appalachia as a reservoir engineer.

Q. Do your responsibilities include the land

involved in the unit 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 826107?

A. I am.

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

A. Yes.

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

A. Chesapeake Appalachia owns 100%.

Q. Okay. All right. In this particular case, we're...this is our Windmill well, isn't it?

A. Yeah, there's three.

Q. Yeah, we're excepting or seeking a location exception from three different reciprocal Chesapeake wells, correct?

A. Yes.

Q. And they have the right to operate all of those reciprocal wells?

A. They do.

Q. Are there any correlative rights issues?

A. No.

Q. Okay. In conjunction with the exhibit that we just passed for the Board, could you explain why we're seeking this location exception?

A. We're 2,439 feet from a well to the north. 2,394 from a well to the west...northwest. 2234 feet from a well to the south. So, we could move east and at the distance that would be appropriate puts us down in the next hollow and it looks like there's a business situated in there. There's multiple structures. I'm not sure what they are. If we would continue further east, we would be getting into a waste issue. So, it's a combination of terrain, existing structures, prevention of waste and where it's situated we can also use an existing road that goes to a CBM well.

Q. It would minimize surface disturbance?

A. Correct. It's a combination.

Q. It looks like that there's an industry park or something to the east there. Some kind of a---

A. Yeah, there's a parking area.

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

A. 300 million cubic feet.

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

A. 6,420 feet.

Q. Are you requesting the location exception cover conventional gas reserves to include the designated formations as listed in the application from the surface to 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 826107?

A. Yes.

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

BENNY WAMPLER: What...you list Pine Mountain Oil and Gas, Inc. What relationship do they have with your application right now?

STAN SHAW: None directly. We have a 30% interest in those wells and they may own---

JIM KAISER: They're the oil and gas owner.

BENNY WAMPLER: And you have or they have 30% in this?

STAN SHAW: We do.

BENNY WAMPLER: Okay.

STAN SHAW: They have 70.

BENNY WAMPLER: Yeah, that's why...why I was clarifying that is earlier I thought you said you had a 100% interest in the wells and they were reciprocal wells.

STAN SHAW: On conventional.

BENNY WAMPLER: You might want to help me get clarified then, Mr. Kaiser.

STAN SHAW: The Pine Mountain wells are CBMs.

JIM KAISER: Well, you have an agreement with them for conventional development too, right?

STAN SHAW: Uh-huh.

JIM KAISER: And in this particular case...

STAN SHAW: This could be one they've got an option on.

JIM KAISER: Huh? Pine Mountain would be the oil and gas lessor on this unit. On both...see, they've got...you've got the drill site tract that they have 93.02%. Then, there's a unit tract down in the southeast corner that represents the other 6.98%. I guess, is your question...I'm trying to recall the exploration and development agreement that they have with Pine Mountain regarding conventional gas. I'm not sure if it's a...if it's 70/30.

STAN SHAW: There's a 90/10 on a sub-sect and then

there's a larger group where they can participate.

JIM KAISER: Anyway, they were notified. Actually, they have a representative here. So---

BENNY WAMPLER: I understand. I was just going at the...we he made the statement of a 100%---

JIM KAISER: Right.

BENNY WAMPLER: ---and I saw these other percentages on here. That's why I wanted to get it clarified.

JIM KAISER: This location is on the Big Mountain lease, right?

STAN SHAW: Yes, Pine Mountain Oil and Gas.

BRUCE PRATHER: Mr. Chairman, I've got a question.

BENNY WAMPLER: Mr. Prather?

BRUCE PRATHER: On this Pit Waste Application area, is the permit been applied for is that waste area actually done? It's look like as far as that well is concerned it's in the middle of that Pit Waste Application area on the map I've got here. I just wondered, are you required to get anything if somebody either has a pit there or applied for an application for waste area?

STAN SHAW: I'm not aware of the pit.

JIM KAISER: That would be---

BOB WILSON: Mr. Chairman, may I address that,

please?

BENNY WAMPLER: Mr. Wilson?

BOB WILSON: That...that's a requirement for the permit application to show the entire area that's going to be used potentially for disposal of pit fluids after that disposal has been approved by our office. It's a routine thing that's shown with permit applications. The location itself is at the right hand end of that where the well star is shown.

BRUCE PRATHER: And it won't affect their application then?

JIM KAISER: That is part of their application.

BRUCE PRATHER: Oh, that is part of the application?

JIM KAISER: Yes, sir.

BRUCE PRATHER: Okay. Okay.

BOB WILSON: I think what they have shown here, if I'm remembering permit application correctly, the application shows this area, and I suppose when somebody was drafting it, they transferred that onto here and showed the entire location as opposed to just the well spot.

JIM KAISER: They just took something that they did for the permit to make an exhibit for this hearing and transposed that on it.

BRUCE PRATHER: Okay.

MARY QUILLEN: Mr. Chairman, I have just one question.

BENNY WAMPLER: Ms. Quillen?

MARY QUILLEN: This road...this was the access road for this existing well, Popular Gap 18. Is that your well?

STAN SHAW: No, that's a Pine Mountain Oil and Gas CBM well.

MARY QUILLEN: That's Pine Mountain's, okay. So, this is not a private road or is it a private road?

STAN SHAW: I do not know.

MARY QUILLEN: But you would have...I mean, you---

JIM KAISER: It's an existing road that they're going to be allowed to use.

MARY QUILLEN: Oh, okay. Okay, that was my question. Is it---

BRUCE PRATHER: You should have a right in your lease?

MARY QUILLEN: Is it part of the---

STAN SHAW: Should have, yes.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Would you clarify the ownership

interest for me? I mean, from the standpoint...well, just from the standpoint that there's...I know they're not here, Pine Mountain, but from the standpoint of the approval to get this location exception to wells that they own. What process is---?

JIM KAISER: Again, I'm not sure what they...what they...I guess, they---

BENNY WAMPLER: I'm not getting it, the percentage of ownership. I'm getting...how does he have knowledge that he has...I mean, I'm just going from the initial standpoint we have a 100% ownership in these other...reciprocal wells. That's what I'm trying to clarify.

JIM KAISER: Okay, they...Pine Mountain and Chesapeake have an area...an area of leasehold interest that they're developing jointly both for conventional gas and coalbed methane gas. In this particular case, it's a conventional well on the Big Pine Mountain conventional oil and gas lease. So, they're the oil and gas lessor. Now, as far as to whether...what they did to get this...the approval of Pine Mountain for this particular site, I assume that somebody from Chesapeake met with somebody from Pine Mountain and they said, "Yeah, we're okay with you putting it there. You can use our existing roads that we built for purposes of drilling these CBM wells." I mean, who was in that meeting

and who it was between, I don't know.

SHARON PIGEON: You're saying permission and not ownership, is that...of the reciprocal wells?

JIM KAISER: The reciprocal wells are Chesapeake wells. They are also on the Big Pine Mountain lease. So, there's no correlative rights issues.

BENNY WAMPLER: That's what I was trying to get at.

JIM KAISER: Okay. I'm sorry. I didn't understand.

BENNY WAMPLER: That's okay. That's what I was trying to get at, correlative rights on it, because that would be the only thing the Board would have in this case at issue with.

MARY QUILLEN: Mr. Chairman, I have just one other question and this is...I'm just...I don't know this and I'm just asking the question. Is there a problem with the location of this well being as close to the CBM well, the conventional well to the CBM well?

JIM KAISER: I don't know who should answer that. I guess maybe Stan should, but I assume...I mean, again, Pine Mountain is noticed. There's two Pine Mountain people here. They're not objecting. The CBM wells are probably completed at a depth of about 2,000 feet in this well in a coal seam or seams and this well is going to be completed in a Devonian

Shell at 6,000 and some feet.

MARY QUILLEN: 6,000, okay. I just needed to...that information. I didn't know---

BENNY WAMPLER: Mr. Wilson, can educate you on how close they can be to a conventional?

BOB WILSON: Actually, we don't have concerns with a conventional well being drill after CBM wells so long as they're not close enough to actually...the well bore itself drift into the other well bore at shallow depth. We do have some concerns when it's the other way around and a CBM well is drilled after the conventional well because the completion operations in a CBM well could actually communicate with the up hole portion of that conventional well. A situation like this is generally...we have no concern with unless it's directly on the same pad, which I think everybody has learned not to do several years ago when we had some problems with it. I would like to say one thing about this particular area. This is actually one that has progressed the way that we would like to see them go. The CBM development and the conventional development and mining are kind of proceeding a pace out there such that they're not disturbing excess property to put these locations in. They're not making multiple roads. They're using the same roads to go from one to the other and it's actually the kind of thing that we, as

a Department, try to foster that these locations are selected with mining in mind. They deal with the mining operators. They deal with each other and come up with the best locations. Actually, are minimizing the amount of surface disturbance involved, which pleases us greatly.

MARY QUILLEN: Calibration.

JIM KAISER: Calibration and accommodation.

MARY QUILLEN: Oh, absolutely.

BENNY WAMPLER: Any other questions?

JIM KAISER: It's sounds like a model plan to me.

MARY QUILLEN: That's right.

BOB WILSON: Hold hands.

JIM KAISER: Sing (inaudible).

MARY QUILLEN: Hold a seminar on that.

BENNY WAMPLER: Other 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, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BENNY WAMPLER: Second?

MARY QUILLEN: Second.

BENNY WAMPLER: Second. 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 Chesapeake Appalachia, LLC for a well location exception for proposed well 826290. This is docket number VGOB-07-0220-1883. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: (Inaudible.)

BENNY WAMPLER: You'd have to swear Mr. Wilson if you wanted to---.

(Laughs.)

JIM KAISER: Mr. Chairman and Board members, again, Jim Kaiser and Stan Shaw on behalf of Chesapeake. This, again, is in that exact same area that we were just...that we just got the exception in. But in this particular case, we're only seeking an exception from one well, that being 826167 to the north. Mr. Shaw will be my witness again.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

Q. Are you familiar with the application that we filed seeking this location exception?

A. I am.

Q. Okay. And have all interested parties been notified as required by Section 4(B)?

A. Yes.

Q. And indicate for the Board the ownership of the oil and gas underlying this unit?

A. 100%.

Q. Chesapeake is the oil and gas lessee owning 100%, right?

A. Yes.

Q. Okay. And the well...the reciprocal well that we're seeking the exception from, the one to the north there, Chesapeake is the operator of that well and that's also on the Pine Mountain acreage, correct?

A. Correct.

Q. Okay. So, there are no correlative rights issues?

A. No.

Q. Okay, now, in conjunction with the exhibit

that you just...that we just passed out, explain why we located this well where we've located it.

A. We moved this well as far south as we could without crossing the Russell Fork River. We don't have any producing wells immediately south of the river yet. We would want to wait until we had a plan for multiple wells before we build a river crossing. To get to 2500 feet we would have to move the well clear down in the lower right hand corner of this exhibit and we'd be getting into a waste reserves issue again. It's terrain and the river there, avoiding a crossing and prevention of waste.

Q. And utilizing existing infrastructure that exists to the north and northeast of the river, correct?

A. That's correct.

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

A. 350 million cubic feet.

Q. And the total depth of this proposed well?

A. 6,350 feet.

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

A. Yes.

Q. In your 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 826290?

A. Yes.

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

BENNY WAMPLER: Taking away the fact that you don't want to pay for a river crossing, what are your other reasons for wanting a location exception?

STAN SHAW: Well, the timing too. I'm not familiar enough with the permitting process of how long that would take or what all would be involved. But if we put in a line for one well, it would probably be a two inch and then if we added three or four more wells we might want a six inch pipe. Kind of test the acreage and get a better feel for what's south and then develop a plan to develop south of the river.

BENNY WAMPLER: Questions from members of the Board?

SHARON PIGEON: Did you testify about the resources...the amount of the resources?

JIM KAISER: 350 million.

SHARON PIGEON: 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 as submitted.

BENNY WAMPLER: Is there a motion?

DONNIE RATLIFF: So moved, Mr. Chairman.

BENNY WAMPLER: 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 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 a well location exception for proposed well 826096. This is docket number VGOB-07-0220-1884. 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. In this particular instance, we're seeking an exception...a 207 foot exception from one well, that being Chesapeake well 826095. Is that

right?

STAN SHAW: Yes.

JIM KAISER: And that well is to the south?

STAN SHAW: Yes.

JIM KAISER: Okay.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. All right. Again, your responsibilities, Mr. Shaw, include the land involved here and in the surrounding area?

A. Yes.

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

A. I am.

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

A. Yes.

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

A. 100%.

Q. 100% of it is leased to Chesapeake, right?

A. Yes.

Q. Okay. And Chesapeake has the right to operate the reciprocal well, which is 826095, 207 feet to the south?

A. Correct.

Q. Okay. Are there any correlative rights issues?

A. No.

Q. Okay. Now, in conjunction with the exhibits that you prepared, explain to the Board why we're seeking to locate this well in a spot where we require a 207 foot exception.

A. The well site is over to the right of this diagram. It's on an existing strip bench in a strip mine area. The blue arrows or squiggly lines what's downhill. So, this is on a...on the downslope to the north. The well that we're getting a spacing exception from is also on an existing strip bench. The terrain is pretty rough once you get off that bench. So, it's predominantly a terrain issue and it has been pre-approved by coal.

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

A. 325 million cubic feet.

Q. What's the total depth of this well?

A. 6,075 feet.

Q. Are you requesting the 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 professional opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of gas reserves underlying the unit for 826096?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

MARY QUILLEN: Huh---.

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather?

MARY QUILLEN: Go ahead.

BRUCE PRATHER: You've got another waste area down here. I assume that this location it would be no problem to that waste area. That has been permitted, I assume, from the

coal company's viewpoint.

STAN SHAW: It has been applied for.

BRUCE PRATHER: Okay.

JIM KAISER: Again, I think that's their waste area.

STAN SHAW: Yes.

BRUCE PRATHER: Oh, it is?

STAN SHAW: Yeah.

JIM KAISER: Yeah.

BRUCE PRATHER: Oh, okay.

STAN SHAW: Yeah, this diagram is prepared by our surveyor for the---

BRUCE PRATHER: Oh, okay.

STAN SHAW: ---permit package.

BRUCE PRATHER: Okay. It's for your put then instead of---

STAN SHAW: Yes.

BRUCE PRATHER: ---the coal? Okay.

STAN SHAW: I'm sorry about that.

BENNY WAMPLER: Ms. Quillen?

MARY QUILLEN: Is well 826095 a proposed well or an existing well?

STAN SHAW: I believe it's---

JIM KAISER: It says proposed, yeah.

STAN SHAW: ---proposed.

MARY QUILLEN: But in this it says existing in our---.

JIM KAISER: Well, it shouldn't. The application says proposed.

MARY QUILLEN: It is...it is proposed?

JIM KAISER: The application says proposed and the plat says proposed.

STAN SHAW: I know there was a mistake when they were...they were both sent in at the same time before we realized that spacing was less than 2500 feet. So, probably the permit on 95 would be independent and then this would be an exception from that proposed well.

MARY QUILLEN: So, it is proposed?

STAN SHAW: Yes.

BOB WILSON: Mr. Chairman, I don't' remember specifically, but I almost believe that the 826095 application has been issued...the permit has been issued. As he said, there was a chicken and egg situation there as to which one you do first. You have to permit one or at least get that permit in ahead of the other one in order to get one location exception. So, I think that that one has already been issued, but I couldn't say for certain at this point in time.

BENNY WAMPLER: It appears that 25529 is the only existing by our application. 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.

DONNIE RATLIFF: Second.

BENNY WAMPLER: Second. Any further discussions?

(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 pooling of coalbed methane unit VC-536171. This is docket number VGOB-07-0220-1885. 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 and Don Hall on behalf of Equitable Production Company. We'd ask that Mr. Hall be sworn at this time.

(Don Hall is duly sworn.)

JIM KAISER: Give Mr. Hall a second here.

(Don Hall gets organized.)

BRUCE PRATHER: Don, are any of these wells that you're asking about this morning, are any of them part of the Roaring Fork AMI?

DON HALL: No.

BRUCE PRATHER: Okay.

(Don Hall passes out a plat.)

DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

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

Q. Before we get into your standard testimony, would you explain to the Board why you passed out a revised or a new plat.

A. This is, of course, a CBM well. The parties that we're force pooling are located in the southeast corner of the unit, which put the initial location of this well was less than 750 feet from this property requiring us to have a

consent, which we were unable to get a lease or a consent. So, we moved the location to be greater than 750 feet from that corner. This plat reflects that. It doesn't change the tracts or the percentage of ownership in the unit, but only the location of the well.

Q. Okay, thank you. And do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. Are you familiar with Equitable application or pooling order seeking to pool any unleased interest in the unit for EPC well VC-536171, which was dated January the 19th, 2007?

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 an agreement regarding the development of the unit?

A. Yes.

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

A. We have 82.13% leased.

Q. And the coal estate?

A. The same, 82.13.

Q. Okay. So, all unleased parties are set out at Exhibit B-3?

A. They are.

Q. And the percentage of both the gas and coal estate that remain unleased is 17.87, is that correct?

A. That's correct.

Q. Okay, in this particular case, we do have some unknown entities in Tract 2, correct?

A. That's correct.

Q. The C. B. Musick Heirs?

A. Yes.

Q. And were reasonable and diligent efforts made and sources checked to identify and locate these unknown heirs?

A. Yes.

Q. In your professional opinion, was due diligence exercised to try and locate them?

A. It was.

Q. Are all the addresses as 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?

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. I am.

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 that 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.

JIM KAISER: Mr. Chairman, with the Board's approval and Mr. Hall's okay, I would like to incorporate the statutory election options afforded any unleased parties and their time frames and the implications of those time frames within which to make those elections, I'd like to incorporate the testimony that was taken previously in docket number 07-0116-1858.

DON HALL: That's fine.

BENNY WAMPLER: Do you agree with it?

DON HALL: Yes.

BENNY WAMPLER: That will be incorporated.

Q. We do not...well, we do need...

(Jim Kaiser and Don Hall confer.)

JIM KAISER: We're going to have to ask the Board to allow us to supply an Exhibit E post hearing. What happened there, we actually have a fee mineral tract. So, we don't have any conflicting claims, but we've got some unknowns. For whatever reason, when the exhibits were prepared the unknowns were missed. So, we do need an Exhibit E to reflect their interest because they're subject to escrow. We'll supplement the application probably as soon as tomorrow with the Board's permission on that. So, the Board does need to establish an escrow account for proceeds attributable to both Tracts 1 and...no, just Tract 2, I guess...no, 1 and 2...no, just Tract 2.

A. Just Tract 2.

JIM KAISER: Just Tract 2.

Q. 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. It's 1809 feet.

Q. What are the estimated reserves for the unit?

A. 330 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?

A. It has.

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

A. Yes.

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

A. The dry hole cost is a \$126,237 and the completed well cost is \$321,044.

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, would the granting of

this application be in the best interests of conservation,  
the prevention 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?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson?

BOB WILSON: Could I bring something that's just  
possibly a little bit off the wall here? You said that you  
have moved the location because you're unable to get a  
consent to stimulate and you're also saying that all owners  
in this tract are unknown, is that correct?

DON HALL: No.

BOB WILSON: They are not?

DON HALL: No. Ed Musick is known.

BOB WILSON: Okay.

JIM KAISER: There's two owners in Tract 2---

BOB WILSON: Oh, okay. I'm sorry.

JIM KAISER: ---because Ed Musick and C. B. Musick.

BOB WILSON: I was under the impression that all  
owners were unknown.

DON HALL: I understand where you were going.

BOB WILSON: Okay.

DON HALL: It would be better if it wasn't.

BOB WILSON: Yes, sir. Thank you. Sorry. Okay.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion---.

PEGGY BARBAR: Motion to approve.

BENNY WAMPLER: 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, but  
Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You  
have approval.

BOB WILSON: And you will supply us with an Exhibit  
E?

JIM KAISER: Yeah.

BENNY WAMPLER: That was the condition for  
approval.

JIM KAISER: You didn't ask me for anything

further. I was going to make a condition.

BENNY WAMPLER: Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537246. This is docket number VGOB-07-0220-1886. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Now, Mr. Chairman, Jim Kaiser and Don Hall, again, on behalf of Equitable Production Company. We're pleased to announce that we can withdraw this application and that we have the unit a 100% under lease.

BENNY WAMPLER: Very good. Do you have any other housekeeping?

JIM KAISER: I think that's it.

BENNY WAMPLER: Next is a petition from Equitable Production Company for pooling coalbed methane unit VC-536620. This is docket number VGOB-07-0220-1887. 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. Mr. Hall, do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. And you're familiar with the application that we filed seeking to pool any unleased interest in the unit for EPC well number VC-536620, which was dated January the 19th, 2007?

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 with each of the respondents?

A. Yes.

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

A. We have...in the gas estate we have 18.74%.

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

A. In the coal estate we have 94.37% leased.

Q. And all unleased parties are set out in

Exhibit B-3?

A. They area.

Q. So, 81.26% of the gas estate remains  
unleased?

A. That's correct.

Q. The majority of that represented by the  
Yellow Popular Lumber Company interest---

A. That's correct.

Q. ---that we've forced pooled on numerous  
occasions?

A. That's correct.

Q. And the interest in the coal estate that  
remains unleased is 5.63%?

A. That's correct.

Q. Okay. You did make...continued to make or  
have made in the past, reasonable and diligent efforts to  
locate any surviving derivative shareholders or whatever of  
the Yellow Popular Lumber Company?

A. Yes.

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

A. Yes.

Q. 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 B-3?

A. Yes.

Q. 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 on a five year term with a one-eighth royalty.

Q. In your opinion, do the terms you've just testified to represent the fair and reasonable compensation to be paid for drilling rights in this unit?

A. They do.

JIM KAISER: Mr. Chairman, at this time I'd again, with the Board and your permission and Mr. Hall's acquiesces, I'd like to incorporate the testimony regarding unleased parties the statutory election options taken earlier in item 1858.

BENNY WAMPLER: That will be incorporated. Will you...do you agree with that, Mr.---?

DON HALL: Yes.

BENNY WAMPLER: ---Mr. Hall?

DON HALL: Yes.

Q. In this particular case, we do need to establish an escrow account or the Board needs to establish an escrow account for proceeds attributable to Tract 1, is that correct?

A. That's correct, I believe.

Q. And we do have an Exhibit E showing that, right?

A. Yes.

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

A. Equitable Production Company.

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

A. It's 2348 feet.

Q. The estimated reserves?

A. 230 million cubic feet.

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

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 completed well costs for this well?

A. The dry hole cost is \$137,130 and completed well cost is \$310,499.

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 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?

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather?

BRUCE PRATHER: I notice on the sheet that I've got here, it says, "The permit to drill the unit was issued on

6/7/06." I wasn't here at that time. What's the background on this? How come if you had a drilling permit on the thing---?

DON HALL: We discovered additional acreage after we had permitted it that we didn't have leased.

BRUCE PRATHER: Okay. Okay.

DON HALL: That permit will now have to be modified.

BRUCE PRATHER: Okay.

BENNY WAMPLER: Other question?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, 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, But Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537150. This is docket number VGOB-07-0220-1888. We'd ask the parties that wish to address the Board in this matter to come forward.

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: Mr. Prather, I was incorrect. This one does...would be part of the AMI...Roaring Fork AMI.

BRUCE PRATHER: Which one, the last one or this one?

DON HALL: The one that we're getting ready to do.

BRUCE PRATHER: Okay. Thank you.

BENNY WAMPLER: 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. They do.

Q. Are you familiar with Equitable's application seeking to pool any unleased interest in the unit for VC-537150, which was dated January the 19th, 2007?

A. Yes.

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

A. We do.

Q. Now, 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. Okay. What's the interest under lease to Equitable in the gas estate in the unit?

A. We have 99.7625% leased.

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

A. A 100%.

Q. So, the only unleased interest is in the gas estate and that would be 0.2375%?

A. That's correct.

Q. Okay. In this particular unit, we do not have any unknown or unlocateable interest owners?

A. No.

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

A. Yes.

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

A. I am.

Q. 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 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.

JIM KAISER: Again, Mr. Chairman, with your permission and Mr. Hall's agreement, I'd like to incorporate the statutory election option testimony previously taken in item 1858.

BENNY WAMPLER: Do you agree to those?

DON HALL: Yes.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, in this particular unit, we do

have conflicting claims in Tract 2, is that correct?

A. That's correct.

Q. So, the Board will need to establish an escrow account for any proceeds attributable to Tract 2?

A. Yes.

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

A. Equitable Production Company.

Q. The total depth of this well?

A. 2291 feet.

Q. Estimated reserves over the life of the unit?

A. 230 million cubic feet.

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

A. It has.

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

A. Yes.

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

A. The dry hole cost is \$116,152 and the completed well cost is \$300,380.

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 interests 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: Would you repeat your reserve estimate?

DON HALL: 230 million cubic feet.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

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, but Bruce  
Prather.)

BENNY WAMPLER: Opposed, say no.

BRUCE PRATHER: Abstain.

BENNY WAMPLER: One abstention, Mr. Prather. Next  
is a petition from Equitable Production Company for pooling  
of coalbed methane unit VC-537144. This is docket number  
VGOB-07-0220-1889. 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. We've  
got a revised set of exhibits.

(Don Hall passes out revised exhibits.)

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, can you explain the revision to it  
being B-3 and E in this case?

A. It's probably...wouldn't totally necessary,

but we had an address change for one of our leased parties, Glen Evans. They called in with an address change and we changed that on the...it's on page three of the Exhibit B correcting his address. Of course, he's one of our leased parties. But I wanted the exhibit to reflect the accuracy.

Q. Are you familiar with the land involved in this unit and in the surrounding area?

A. Yes.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in the unit for EPC well VC-537144, which was dated January the 19th, 2007?

A. Yes.

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

A. We do.

Q. Now, 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 with all of them?

A. Yes.

Q. Okay. What is the percentage of the gas estate in the unit that's under lease to Equitable at this time?

A. We have 99.981989% leased.

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

A. A 100%.

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

A. Yes.

Q. That means the only part of the unit that's unleased is within the gas estate and it is 0.018011?

A. That's correct.

Q. Okay. Now, we do have an unknown in this particular case?

A. Yes.

Q. Okay. They have the same last name. It's somebody that we've identified as living in Defiance, Ohio. So, I assume you made every effort to...I don't know if that's Defiance...whatever. I assume you've contacted Karen Utterback and asked if she knew where Randall Utterback was?

A. We have.

Q. Okay.

A. And the correct Exhibit B-3, we have Karen Utterback as unknown with an address. Evidently, it's a typo. Mark out the unknown part of it.

Q. Okay. So, the only one that's unknown is

Randall?

A. That's correct.

Q. And Karen didn't have any idea where Randall was?

A. No.

Q. So, in your opinion...professional opinion, due diligence was exercised to locate each of these folks?

A. Yes.

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

A. We are.

Q. 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 on a five year term with a 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. Yes.

JIM KAISER: Again, Mr. Chairman, I'd ask that the statutory election option testimony previously taken in item 1858 be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you agree to those terms, Mr. Hall?

DON HALL: Yes.

BENNY WAMPLER: They will be incorporated.

Q. Okay. Mr. Hall, in this particular case, we do need to establish...or the Board needs to establish and escrow account for any proceeds that are attributable to Tract 4, is that 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 2142 feet.

Q. Estimated reserves for the life of the unit?

A. 230 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 what those dry hole costs and completed well costs are for this well?

A. The dry hole cost is \$117,039 and the completed well cost is \$368,528.

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 interests 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.)

DON HALL: Mr. Prather, this is also a part of the Roaring Fork AMI.

BRUCE PRATHER: Okay. I'll abstain.

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, but Bruce  
Prather.)

BENNY WAMPLER: Opposed, say no.

BRUCE PRATHER: Abstain.

BENNY WAMPLER: One abstention, Mr. Prather. Next  
is a petition from Equitable Production Company for pooling  
of coalbed methane unit VC-537621. This is docket number  
VGOB-07-0220-1890. 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,  
again, on behalf of Equitable Production Company.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A.

Q. Are you familiar with Equitable's application seeking to pool any unleased interest in the unit for EPC well number VC-537621, which was dated January the 19th, 2007?

A. Yes.

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

A. We do.

Q. Now, prior to the filing of this application, were efforts made to contact and negotiate with each of the respondents a voluntary lease agreement?

A. Yes.

Q. Okay. Now, what is the interest of Equitable that's under lease in the gas estate in the unit?

A. We have 85.666% of the gas estate leased.

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

A. A 100%.

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

A. Yes.

Q. So, the only interest that remains unleased is 14.3334% of the gas estate?

A. That's correct.

Q. In this particular unit, we don't have any unknown or unlocateables?

A. That's correct.

Q. And 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. Now, 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 and the fair and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Again, I'd ask the Board and Mr. Hall to incorporate the testimony regarding the statutory election

options that are afforded any unleased parties that was previously taken in item 1858.

BENNY WAMPLER: Do you accept those terms?

DON HALL: Yes.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, in this particular case, we do have an Exhibit E, don't we?

A. Yes.

Q. And it's for a bunch of tracts?

A. Yes.

Q. So, the Board needs to establish an escrow account for proceeds attributable to...are you ready, Ms. Pigeon?

SHARON PIGEON: Okay.

Q. Tracts 2, 3, 4, 5, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14. I guess, everything but Tract 1.

A. Yeah.

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

A. Equitable Production Company.

Q. The total depth of this proposed well?

A. 2778 feet.

Q. Estimated reserves over the life of the unit?

A. 230 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 both the dry hole costs and completed well costs for this well?

A. The dry hole cost is \$140,255 and the completed well cost is \$345,542.

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 interests 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 this 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. You have  
approval. Next is a petition from Equitable Production  
Company for pooling of coalbed methane unit VC-537628. This  
is docket number VGOB-07-0220-1891. 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 on behalf of Equitable Production Company. We do have  
a revised set of exhibits that will reflect an additional  
lease that was picked up in Tract 2 since the time the

application was submitted.

(Don Hall passes out revised exhibits.)

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, before we get started could you point out to the Board exactly what interest has been leased that was previously unleased?

A. In Tract 2, Patsy Rowe was leased since the filing of the application. That's reflected in Exhibit B-2 as being dismissed.

Q. Now, you're familiar with...do your responsibilities include the land involved here and in the surrounding area?

A. They do.

Q. And you're familiar with the application that we filed seeking to pool any unleased interest in the unit for Equitable well VC-537628, which was dated January the 19th, 2007?

A. Yes.

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

A. We do.

Q. Prior to the filing of the application and obviously after the filing of the application, you made efforts to contact each of the respondents to work out a voluntary lease agreement?

A. That's correct.

Q. And what is the interest right now in the gas estate under lease to Equitable?

A. We have 80.8...80.83% leased.

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

A. A 100%.

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

A. Yes.

Q. So, what is the percentage of the gas estate that remains unleased at the time?

A. 19.17%.

Q. We do have an unknown in the gas estate in Tract 2, is that correct? It's the Verlin Rose Heirs.

A. Yes.

Q. Did you make all reasonable and diligent efforts and attempt to identify them and locate them?

A. We did.

Q. In your opinion, due diligence was exercised

in that case?

A. Yes.

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

A. We are.

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 on a five year term with a one-eighth royalty.

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

JIM KAISER: Mr. Chairman, again, ask that, with the Board's permission and Mr. Hall's agreement, that the statutory election options afforded any unleased parties and the regarding when they have to make them and what the implications of that are that was previously taken in item 1858 be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

DON HALL: Yes.

BENNY WAMPLER: That will be incorporated.

Q. Okay, in this particular, Mr. Hall, the Board does need to establish an escrow account for proceeds attributable to the conflicting claims and unknowns Tracts 2, 3 and 4, is that correct?

A. Yes, that's correct.

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

A. Equitable Production Company.

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

A. It's 2349 feet.

Q. Estimated reserves over the life of the unit?

A. 230 million cubic feet.

Q. Now, 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 well costs?

A. Yes.

Q. Could you state for the Board both the dry

hole costs and completed well costs for this well?

A. The dry hole cost is \$121,845 and the completed well cost is \$329,907.

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 interests 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: Do you have anything further?

JIM KAISER: We'd ask that this application be approved as submitted, Mr. Chairman, with the revised B, the addition of B-2, revised B-3 and revised E.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Motion for approval 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.

DON HALL: Thank you all.

BENNY WAMPLER: Let me ask you a question before we  
go to this next one. Is that a lengthy, do you think, and  
discussion?

(No audible response.)

BENNY WAMPLER: The reason I was asking, I was  
going to public comment and break for lunch, but okay.

JIM KAISER: No, I think we'll probably...we could  
probably be done in ten or fifteen minutes.

BENNY WAMPLER: You hope.

JIM KAISER: Barring any intensive questioning. I  
mean, it's basically a brief presentation of the evidence  
that we did.

BENNY WAMPLER: Well, you never know when it gets into field rules, you know.

JIM KAISER: Right.

BENNY WAMPLER: That's the reason I was asking. Next is a petition from Equitable Production Company for a modification of the Nora Coalbed Field Rules to allow drilling of an additional well in unit BH-50, BJ-51, BH-52, BH-53, BI-53, BG-54, BH-54, BI-54, BG-55, BH-55 and BI-55. This is docket number VGOB-89-0126-0009-07. 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 Mike Kovarik on behalf of Equitable Production Company. I've got some packages here to hand out to go along with Mike's testimony.

BENNY WAMPLER: Do you want to go ahead and swear him in?

(Mike Kovarik is duly sworn.)

BENNY WAMPLER: Would you spell your name for us, please?

MIKE KOVARIK: Mike Kovarik, K-O-V-A-R-I-K.

BENNY WAMPLER: Thank you. The record will shown no others. You may proceed.

MIKE KOVARIK

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay, Mike, previously...I guess, is this the second or third time we've done that.

A. This is the second time we've done it.

Q. Second time we've done this. We did it previously in June of '06, I believe, in the Middle Fork---

A. Yeah.

Q. ---on some Standard Banner acreage. I think we actually drilled sixteen infilled wells there, which you'll be talking about.

A. Yes, we did.

Q. So, you've previously addressed the Board on...in the sense of requesting a modification of the field rules to allow for the drilling of an additional well in existing units, correct?

A. Yes, we have.

Q. Again, I think we have at least one new Board member since that time, Mr. Prather. If you could briefly go through your educational and work background.

A. I have a Bachelor's Degree in Chemistry and a Bachelor's in Petroleum Engineering from Marietta College. I worked for Oxydental Petroleum for twenty years and Equitable Resources for the last five and a half years. I also have an MBA from the University of Tulsa.

Q. Now, in...I'll kind step aside here. This doesn't really fit our standard motive of me asking questions. So, I think probably the most beneficial or efficient way to present this to the Board would be for you to go through your package of exhibits that you have prepared in developing your explanation as to why we are requesting the Board to allow us to do this and why we think it's a good idea for everybody involved in the process.

A. Okay. I've got some locator maps and I've got some information on the rates and recoveries that we expect from our Lick Creek wells. I've also got a little summary of what we've done to date and the Middle Fork on the infill program, okay.

This first map it's just kind of a locator where Lick Creek is with respect to the Middle Fork and the Oakwood Field. Both the Middle and Lick Creek are in Dickenson County. The next map is a plat that was...is in the application. It's the same one that shows---

Q. It's Exhibit A to your application.

A. Exhibit A in the application that shows eleven units in hashed marks that we wish to drill a second well in those 60 acre units.

Okay. The next exhibit, I guess Exhibit 3, is a production plot and well count plot of the current original wells...60 acre wells that we're going to drill our second wells in. The red line is production plot of gas rate, mcf per day versus time. The blue line is a plot of well count versus time. You can see that, the eleven wells that are producing in Lick Creek in our project area, peak out at about 900 mcf a day or about 82 mcf per day per well. Just to give you some kind of magnitude of what we're looking at as far as the second wells in the unit. So, I would expect that for the second well we can expect between 60 to 70 mcf per day. It's somewhat...at least initially somewhat less than what we've seen in the original wells.

Q. Let me stop you just for one minute here, Mike.

A. Sure.

Q. Ten of these units are all on what we call the Phipps lease and all have the same Phipps Heirs. So, they all have the same royalty owners, correct?

A. Yes.

Q. And then one of well in what we're calling

50-BH, the royalty owner is Pine Mountain Oil and Gas and that's included in the Pine Mountain lease and there's just one royalty owner in that unit also, correct?

A. That's correct.

Q. I'm sorry, go ahead.

A. That's all right. Basically, I kind of wanted to show the magnitude of the types of wells that are in eleven well project area and what we can expect as far as rate.

The next, Exhibit Four, is what I use to calculate our estimated ultimate recovery from the infill wells. There's...in addition to the eleven wells that we want to drill, our second well in there, there's another six units that are between the single well and the other ten wells. So, I used eighteen wells in that project area and came up with an estimated ultimate recovery of about 8 1/2 bcf or about 471 million cubic feet per well. So, if...as we did previously in the Middle Fork project, used about 50% of the recovery from the original well, use that for the infill wells recovery, we come up with about 235 million cubic feet for the infill wells recoveries. Added together with the original well, that gives us about 700 million cubic feet for a total for the 60 acre unit.

This Exhibit Five, our last exhibit here, just kind

of an update for you on what we've done so far today, the Middle Fork. We've drilled sixteen wells in that project area. Eleven of the sixteen wells...original wells in that project area are in the green plot. This is a plot of gas rate versus time from October...excuse me, August the 1st of last year to December...January the 31st of this year. So, it's pretty current. The red line then is a plot... production plot of eleven of the sixteen infill wells that we have enough data on to include in this exhibit. So, the original wells right now are producing about 200 million cubic feet a day and the infill wells are producing about 700 mcf per day and they're still inclining. So, we're encouraged about what we've seen in the Middle Fork as far as rate and we want to continue that with our Lick Creek project.

Q. And this will certainly...because you're getting more gas out quicker it will certainly not only benefit just Equitable as the operator, but also the royalty owners in these units and the citizens of Dickenson County in the form of additional severance tax?

A. Absolutely. We're going to get the gas out quicker and we're going to get more out of it.

BENNY WAMPLER: In your application, you say to allow more than one well to be drilled. You're actually

proposing one more well to be drilled, is that correct?

A. At this time, yes.

BENNY WAMPLER: One additional well in each unit?

A. Yeah.

BENNY WAMPLER: And I'm asking for clarification because your application is saying for more than one.

There's a difference in one additional than more than one.

JIM KAISER: It would just be one additional.

BENNY WAMPLER: Okay.

JIM KAISER: I'm sorry.

BENNY WAMPLER: That's okay.

JIM KAISER: I think that happened the last time too.

BENNY WAMPLER: It's important to clarify the record for that.

JIM KAISER: Sure.

BENNY WAMPLER: And then also you say that an order..."An administrative order providing additional wells, well permits may be issued in the field after this application is field and while it is pending." You know, I guess when the order is recorded---

BOB WILSON: I think that goes to the requirement in the law that all permitting is suspended when field rules in. Traditionally, the Board has been modifying field rules

and giving an exception for that. I think that's probably---.

BENNY WAMPLER: Right. The exception for the permits, okay. All right.

JIM KAISER: So, there's not a suspense for other permits.

BENNY WAMPLER: Right.

BOB WILSON: Mr. Chairman, while---

BENNY WAMPLER: Mr. Wilson?

BOB WILSON: ---we're at...in your application, you state, "The second well will be located at least 600 feet from the nearest coalbed methane well and need not be more than 600 feet from the nearest coalbed methane well---.

JIM KAISER: Do you think that's redundant?

BOB WILSON: No, actually, I think it's contradictory.

JIM KAISER: Huh? Well, it has to be at least 600 feet, but it doesn't have to be more than 600 feet. It can be 600 feet.

BENNY WAMPLER: So, you're just clarify---.

JIM KAISER: It's the way---

BOB WILSON: Well, it can't be exactly 600 feet.

JIM KAISER: Right.

BOB WILSON: Okay. I read it a different way.

BENNY WAMPLER: All right. Any other questions from members of the Board?

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather?

BRUCE PRATHER: I assume that the Middle Fork area, the history that you have so far is the basis for your estimated average from the new wells up in the Lick Creek area?

MIKE KOVARIK: The recoveries, Mr. Prather?

BRUCE PRATHER: Yes. Yeah.

MIKE KOVARIK: Well, that in previous testimony from the operator in the Oakwood Field---

BRUCE PRATHER: Okay.

MIKE KOVARIK: ---and also some reservoir simulation work that was done by Equitable in the 1990s. That was presented previously with the Middle Fork testimony.

BRUCE PRATHER: Okay.

MIKE KOVARIK: So, all that wrapped together---

BRUCE PRATHER: Yeah.

MIKE KOVARIK: ---constitutes how we came up with the 50% of the original well.

BRUCE PRATHER: Right. Okay.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted with the change that it is for one additional well and not more than one additional well.

BENNY WAMPLER: Okay. Is there a motion?

DONNIE RATLIFF: So moved, Mr. Chairman.

BENNY WAMPLER: Motion for approval. Is there a second?

MARY QUILLEN: Second.

BENNY WAMPLER: Any further questions?

(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. Board members, the minutes from the last meeting have been distributed. Any corrections? Otherwise, I'd entertain a motion for approval.

MARY QUILLEN: Motion to approve.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: I'll 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 there. Public comment period time. Any parties that wish to address the Board for public comment may come forward? The handout we had on that last item will be marked as an exhibit to that petition. We had Exhibit A in the docket. The whole package could be B.

BOB WILSON: I gotcha.

BENNY WAMPLER: How are you, Mr. Franks? I need you to state your name for record.

J. C. FRANKS: Good afternoon. J. C. Franks.

CHARLIE HART: Charlie Hart.

J. C. FRANKS: I have a couple of issues. I thought Les was coming back in. But we have issues with the reports that we receive being readable and able to divide and ascertain ownership of different properties, plus I have a recurring map problem that I need to go over. I would like to apologize to the Board. I was making copies of what I intend to talk about starting Saturday and my copier started failing to use the automatic feed. Then, it refused to

accept more...to make more than one copy at a time, so it was one sheet at a time. Then, it finally gave up right over the weekend when you can't get anything repaired. I thought, well, I'll get it done Monday. Guess what? The repair shop was closed Monday. But I have four copies that are complete. I had some other sheets that I copied. But I didn't want to bring incomplete sheets.

BENNY WAMPLER: We'll share. Give Mr. Wilson one for the file.

J. C. FRANKS: I have some of those reports to talk about.

(J. C. Franks passes out copies.)

J. C. FRANKS: This (inaudible) Franks report I didn't get copies of. So, we'll just have to pass these around, but I know what they are anyway. This just indicates how I have to go through and separate the ownership of the Cora Metcalf Estate interest and it's scattered all through the reports. I see no reason for that because when the---

MARY QUILLEN: Are you asking them to separate them out?

J. C. FRANKS: No, no. This one report. This is both for the same month. I just want to pass them around. Just take a look and you can see where it has to go through the report.

MARY QUILLEN: Well, what I'm asking you is, you're asking CNX to separate out these in the report.

J. C. FRANKS: Yes, yes. And---

MARY QUILLEN: Have you requested that from CNX?

J. C. FRANKS: Seven hundred million times. No, over and over. There's no reason for them not to because there was a required new lease agreements with the Cora Metcalf Franks Estate property when they cleared the escrow because there was a different percentage and allocation at that time. So, they had a separate contract. There is an existing Cora Franks Estate interest in another area that they could combine it with and put them all in the same report very easily.

BENNY WAMPLER: Well, I guess...Mr. Wilson and Ms. Pigeon, I guess I'll throw something out here. I question the forum that we're receiving these because this is specific...this is a public comment period where you may talk about whatever. But when you're questioning specifics as to their method of payment, challenging transportation costs and things like that, I think you have to file a petition and come before the Board officially that matter with them being on notice.

BOB WILSON: In the past when we have had specific issues of that sort, we have accepted a miscellaneous

petition, with notice to---.

BENNY WAMPLER: That's what I mean.

BOB WILSON: ---the individuals involved. I have talked to Mr. Franks in the past about this. I'm not sure exactly where he wants to go with it. But, yes, the procedure for specific items has been filed in a miscellaneous petition.

BENNY WAMPLER: Mr. Franks, I want to explain to you, you know, during this comment period to get into specifics...we'll let you do some sort of summary if you want to, but to talk about these---.

J. C. FRANKS: I was in hopes that Les would stay because Les has promised me action on these items over and over. He says, "I'll get right on it and get back with you.", and that's the end of it.

BENNY WAMPLER: I understand. But I want you to understand, we can't...we can't sit here and deal with issues without parties being on notice when it's specific to what their...what it's about. So, from that standpoint, you know...certainly, you know, you're on record that you have complaints about their billing methods and you can summarize it to that effect.

J. C. FRANKS: And their payments also. After the escrow as cleared, they have errors in their reports contrary

to that. My other question that we came here about, I don't see why they have to shuffled in there like a deck of cards. Last, I think it was October or November one, of course they have a new accounting office now in Fort Worth, the second report I received from them, the Carl Metcalf Estate, was in perfect numerical and alphabetical order and grouped together all the way through and that was fantastic. I let everybody know that that's the way they should be. The next report I got, even on the Carl Metcalf estate, was shuffled like a deck of cards. I believe, it's on purpose. I don't know. I'm convinced of that. I think Charlie has the same problem with that. But I have problems with the payments being made and the changes that they make in the maps and the interest in the pools they keep changing with no prior notice or anything else. I've spoken with the Board about that before also. I have some map here to indicate that, if I might, and then I'll open my big map and show you and it won't take but a minute...I didn't say my big mouth.

(Laughs.)

J. C. FRANKS: And I didn't get to run copies of these. But I can show this to you. This happened a few years back and I've been over it. This is the original pool in black outline. The red pooled...the red outline is the new. This is the latest CNX relocation of this pooled and

locating from the well from the original well to our...one of our corners of the property and then where they relocated the property. That is a survey line and not a guess line. This little spot is what remains of this even though they moved this over it should have included that is what I'm saying.

BENNY WAMPLER: Well, understand, if you file a petition to come before the Board, which you can do, then you've got them here and they're on notice, they're here and we can ask question...you know, we can ask questions.

J. C. FRANKS: They told me they were coming back in.

BENNY WAMPLER: I understand. They may have thought we would be here longer than we are. I don't know. I can't speak to that.

SHARON PIGEON: Well, that's not the same as official notice.

BENNY WAMPLER: But we have to have...you know, you would have to come---.

J. C. FRANKS: Okay.

BENNY WAMPLER: ---in officially before the Board for us to resolve this.

J. C. FRANKS: Okay.

BOB WILSON: Mr. Chairman, I think from my conversations with Mr. Franks in the past about these issues,

the purpose maybe for the trip today, and don't let me put words in your mouth here, is to determine where the Board has jurisdiction and how the Board would instruct to proceed with this.

BENNY WAMPLER: Well, the Board certainly has jurisdiction on...I've got people here to clarify me, has jurisdiction when they move maps and things like that of something that has been in the Board order before. The Board does not have jurisdiction over how much they're deducting and all that stuff.

J. C. FRANKS: No, no, I'm not questioning their deductions.

BENNY WAMPLER: I just saw one in here where---

J. C. FRANKS: Well, they deducted taxes that they were not supposed to.

BENNY WAMPLER: But we don't have jurisdiction over that.

J. C. FRANKS: I know. But they...this was a...in fact, this was a meeting, what, in November. I had another meeting in January that promised that it would be corrected, but they didn't. I'll show the maps of some of the things they did.

BENNY WAMPLER: But as to challenging, you know, they're AFE, in other words the amount they estimate for the

wells and things...anything the Board has spoken on before.

J. C. FRANKS: But here is their map and their new map is to the red line.

BENNY WAMPLER: Is that new map, you're saying, something they gave you or something they gave the Board?

J. C. FRANKS: The Board...well, they gave the Board also. There's---

BENNY WAMPLER: And we would have juris...what I'm saying to you, we would have jurisdiction over that if they changed that without our knowledge.

J. C. FRANKS: They changed these without anybody's knowledge. There is their new map and here is the original map and there's another copy in here. That's all I had right here.

BENNY WAMPLER: Okay. We would have jurisdiction over that if you can back before the Board in a forum that we could...you know, that we could deal with it. Understand that we're operating here is without proper notice, okay.

J. C. FRANKS: There were several other...do you recall the map I had in the conflict with Kyle Robinson?

BENNY WAMPLER: Right.

J. C. FRANKS: I think I notified you that I had found more information concerning the map I have. When the leases were originated with...well, it was Consol and CNX.

When CNX came on Board, they were in agreement that they were going to use the Fincastle Mining survey map. I used that map that day. Just a moment, I also used this 1921 survey map of Gillespie, if you will recall.

BENNY WAMPLER: Mr. Prather wasn't here.

J. C. FRANKS: This is the Fincastle survey map. But after that discussion, I kept questioning and I called one of the members of Fincastle Mining and asked where this map originated because you wanted to know who drew it and he tells me that he received the map of the peripheral from Consolidation Coal. He was an X employee of Consol and that he had this interior division to separate our property made by a surveyor up Slate Creek. The only person I know up there is Munsey. I don't have a lot of faith in Munsey's surveys to tell you the truth. So, I sat down and went over his map and he has deed call outs and his survey call outs for every line in here. I found, when I made my layout that he didn't follow his own survey lines when he drew it and he added a dimension down here to try to make it close. So, I lost a few other things. I did sit down and make that. Well, this is my map of checking on tops of the Gillespie map. This is mylar I made of that map that we were using. You can see, the Munsey map does not close. It...there's a lot of irregularities in it. It doesn't close by quite a

margin. And if you overlay it to the surveyed map we were using, they don't fit at all.

BENNY WAMPLER: Okay. Now, do you recall at that hearing, and I think I recall, that you were challenged on whether or not you were a surveyed registered surveyor?

J. C. FRANKS: Right.

BENNY WAMPLER: And they've said, well, we've presented one and you're not one.

J. C. FRANKS: Uh-huh. That's true.

BENNY WAMPLER: And that's what we...that's where we left it. If you come in a certified surveyor...a land surveyor or a registered whatever, there's another party, I can't---.

BOB WILSON: Engineer.

BENNY WAMPLER: Engineer...a registered Professional Engineer, then, you know, we could accept that as a formal challenge to their map.

J. C. FRANKS: You know, what...what I have done...and these reports over here, I was also complaining because on the long holes they had values in their reports, but---.

BENNY WAMPLER: Right.

J. C. FRANKS: ---no one knew where they were coming from. Then they gave me one map showing this and we

were at the meeting in Bluefield Annette rolled her map out that she was distributing funds for and it didn't even...didn't come close to matching the one Les brought in. The one Les brought in for the meeting has no identification on it. I have since received this last week with identifications. But as you can see, they...I had to distribute funds before and I have no idea how to distribute it because there's nothing to go by.

BENNY WAMPLER: Well, I can---

J. C. FRANKS: Right here, hole 14, but they call it in the report number 12. This is 11 and it is 11. This 12, but they want you to use number 13. This is 16, which is 15 and 15 which is 14. So, whatever they were using, I don't know. I know this map is wrong because this incorrect. They left out a piece of our property over here and few things like that. But I'm just trying to get---

BENNY WAMPLER: Do you get a sense that they're trying to address your issues or---?

J. C. FRANKS: I get a sense that they talk about it when you're at the meeting and when I walked out the door, the books are cluttered up. That's why I was hoping to catch them here at the Board to discuss this. I've asked them for a clean topo map of our area with no layouts on it whatsoever, just coordinate lines to the same---

BENNY WAMPLER: For the J. C. Franks Estate?

J. C. FRANKS: Right. To the same scale and with the same coordinate system on it and I'll use this map I drew and get them...I've asked to get with their map makers...I've asked several times to let me come over and go through it with them and try to find out why can't get these problems solved. I don't believe...I do believe that the Board has an interest in correcting the errors that they seem to be persisted in continuing with.

BENNY WAMPLER: We do.

J. C. FRANKS: Bob, tells me the limits the Board has.

BENNY WAMPLER: Well, we need you to file a petition and you certainly can come before us. You will run into the same...and I'm trying to be helpful here. You will run into the same issue on your mapping if you come in and challenge their certified surveyor without another...without a registered professional engineer or a certified surveyor to challenge that with.

J. C. FRANKS: Well, the reason I questioned Munsey when I found out that he sat up Slate Creek, Munsey was the surveyor who surveyed one track for us. That was to separate the Cora Franks property. He contracted to do it. But then he went two miles to the northeast of that...northwest of

there and started and surveyed all over and never did survey the piece property, just two edges of it, and charged double what he had contracted to do it for. Then I found out that he had surveyed the Fincastle Mine opening and he only had their entry off 30 degrees and the whole mine had to be reconfigured after it had been in operation about a year or so. Then the he surveyed for the Carl Metcalf interest, that Danny Hobbs Mine down here, and that's where the screw up is in this lines. So, no, I don't have any faith in his work.

BENNY WAMPLER: I understand that. I want you to understand though that legally we've got to have---

J. C. FRANKS: I understand that.

BENNY WAMPLER: okay.

J. C. FRANKS: But I was wanting to get---

BENNY WAMPLER: All right.

J. C. FRANKS: ---together without conflicts, if possible.

BENNY WAMPLER: Right. I---

J. C. FRANKS: And they keep promising me, but they never come through.

BENNY WAMPLER: Okay. Did you want to make a statement or anything or did he pretty much---

CHARLIE HART: Well, do you all have jurisdiction over how they set these statements up or is that solely at

their discretion?

BENNY WAMPLER: It's basically their statements. It's at their discretion.

CHARLIE HART: When Conoco was involved many years ago, I mean, you couldn't make heads or tails of those statements. Then when they got rid of Conoco and got ILM to run their statements, you know, they had...say AV-111, they would have one entry for AV-111 or one section for AV-111 with three entries in it and that was all that was on that statement. But on these new statements that they have, you know, you'll have AV-111 on page one or maybe twice on page one and once on page three and once on page six. So, you have to go through and---

BENNY WAMPLER: Set your own---

CHARLIE HART: ---try to figure out...you know, whether you get them all or not is pretty difficult to see because...well, as you can see, the print on them is very small. But you all don't have any---

BENNY WAMPLER: As long as you're getting the statements and the statements accurately reflect what's there, we don't have jurisdiction over how they present it.

CHARLIE HART: Okay.

BRUCE PRATHER: Mr. Chairman.

J. C. FRANKS: The statements that they send do not

reflect a fair---.

BRUCE PRATHER: You ought to have something in your lease that says that they were going to do this. The only thing that I see that you have recourse for is you get a good CPA and do an audit of them.

CHARLIE HART: Well...I think that's probably coming because...you know, I think all of these wells are monitored by computer. Whether we get the full production for a month or if something happens to the computer and it shuts down for a day and you don't get that production, you know, who knows. Just like the month of January, the production was way down on the first statement that we received and then...you know, after you start calling and asking them why, they tell you that well we didn't report the production that went in the new Duke line. We just failed to do that. So, then we get a second check, you know, a week later or two weeks late. You know---.

BENNY WAMPLER: It does make you question them.

CHARLIE HART: That's right.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson?

BOB WILSON: I think one of the dividing lines that we have here too as to whether these folks are under lease on all of these properties or whether the Board has force pooled

them. In the pass, under force pooled units, where the Board has basically placed somebody in a unit, then the Board has taken some responsibility to see that there is proper reporting done that an individual has or the information they need. However, if it is under lease, it's going to fall under the terms and conditions of that lease. I don't think the Board could exert the authority over that.

BENNY WAMPLER: Yeah, that's private...we view that really as private contract agreement between you and the party you've leased with.

J. C. FRANKS: And you do have to constantly go over every line on their reports and segregate out all the different lines that pertain to the same pool for the same month and put them in a group and combine them in order to get the total volume and price and everything and if they did their math right. You'll usually find one or two that are way off. You'll say, okay, I'll double check that next month. Next month those will be right, but there will be an error somewhere else. I don't believe a computer can do that. There are some of the reports that I show here that the computer had the correct value stated, the correct price and the correct interest and the answer was wrong. They haven't been able to explain that to me either.

BENNY WAMPLER: We'll just keep one set of these is

all we need to do and give the other back.

J. C. FRANKS: I have two here that I was going to make sure Bob got a copy. Do you have a Cora Metcalf--?

BENNY WAMPLER: Yes. I'm just going to give him a copy of this.

J. C. FRANKS: Okay.

BENNY WAMPLER: And we will make them aware, you know, as a...what we will do is make them aware as a complaint, basically, on how their reporting. We can do that. But we're not...we're taking any jurisdiction over---.

J. C. FRANKS: And I do understand that there's a lot of limits.

BENNY WAMPLER: Right.

J. C. FRANKS: Bob keeps me aware of that. But as you can see, the one meeting that I brought the cover sheet for. I've had another meeting with them since that was supposed to be their clarifications of those questions and they only created more questions. They didn't answer anything. That's just to show what I've been working with them.

BENNY WAMPLER: I have no doubt.

CHARLIE HART: But they start...you know, they started their new accounting with the group out of Fort Worth in August, I believe. For August and September we got

statements that had no totals on them. You know, if you wanted to see if your check totaled up for what it was supposed to, you had to go through and add. These statements that we get, some of them are forty pages and some of them are two hundred pages. It's just depending on how many corrections they have to make. So, finally, after complaining for September and October, I think the November statements had totals on it, and I've asked for the August, September and October statements to be reissued and they sent me a statement for September. At the top, the check total was maybe a 115,000, at the very bottom, the check total was 232,000. So, you know, you don't know whether you got paid the right amount or underpaid by a thousand dollars or...that's why you have concerns.

BENNY WAMPLER: Are both of you leased parties?

CHARLIE HART: Yes, sir.

BENNY WAMPLER: You did sign leases, yeah.

J. C. FRANKS: And the...I don't know if she's in charge of the office in Fort Worth or not, but there's one lady in Fort Worth that has called me several times to have me clarify again, and I'll put the interest of each party I represent and faxed it to her and we'll go over it, so she must be having trouble getting answers as well because when I complained about the way she puts it in the order, she lets

me know that she gets instructions to do these a certain way because she was the one that had Carl Metcalf Estate in perfect order for one month.

BENNY WAMPLER: Thank you very much.

CHARLIE HART: Thank you.

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 13th day of March, 2007.

---

NOTARY PUBLIC

My commission expires: August 31, 2009.