

VIRGINIA:

IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD

APRIL 17, 2007

APPEARANCES:

**BOARD MEMBERS:**

MARY QUILLEN - CITIZEN REPRESENTATIVE

PEGGY BARBAR - PUBLIC MEMBER

KATIE DYE - PUBLIC MEMBER

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

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

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

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

KATIE DYE: I'm Katie Dye and I'm a public member

from Buchanan County.

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

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: Let's just, in memory of the students that died and the families and the faculty and everybody at Tech have a moment of silence this morning.

(Moment of silence.)

BENNY WAMPLER: Thank you. The first item on the Board's agenda is the Board will receive the quarterly report on the Board escrow account as administered by Wachovia Bank, the escrow agent, and Mr. Wilson will update us.

BOB WILSON: Okay. As of January 1, we had an opening balance for the quarter of \$15,942,163.33. During the quarter, we received deposits of \$515,175.52 and had interest income of \$167,975.62. During the quarter, \$42,568.59 was disbursed to claimants. There were no fees deducted during the quarter. It left a closing balance, as of March the 31st, of \$16,582,745.88. Currently...well, for

the last quarter our interest rate that we're receiving...we received for the quarter of 1.28%, which is an annualized rate of 5.12% and that compares to the last quarter of last year, which was annualized at 3.95%. The year before we were at 2.25%. So, we've enjoyed a substantial increase in that over the last year. As of the end of March, we had 633 active accounts in the overall account. 121 inactive accounts, in other words, accounts that haven't yet received a balance. The lowest account in there has one penny in it. The highest account has \$660,760.20. An average balance of \$26,238.52 with the medium, meaning, of course, halfer...the higher and halfer lower amount is \$4,560.03.

BENNY WAMPLER: Questions from members of the Board? Ms. Quillen?

MARY QUILLEN: I just ask, could you read the deposits again? I didn't quite get that.

BOB WILSON: Yes. \$515,175.52.

MARY QUILLEN: Okay. And the disbursements?

BOB WILSON: Disbursements were \$42,568.59.

MARY QUILLEN: Thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Thank you, Mr. Wilson. The first...the next item on the agenda today is a petition from

Pine Mountain Oil and Gas, Inc. for pooling of coalbed methane unit Lover's Gap 37, unit 77-Z. This is docket number VGOB-07-0320-1907, continued from March. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Tim Scott for Pine Mountain Oil and Gas.

IAN LANDON: Ian Landon, Pine Mountain Oil and Gas.

PHIL HORN: Phil Horn, Pine Mountain Oil and Gas.

CONNIE McCLANAHAN: Connie McGlanahan, a gas owner.

LEO BAILEY: Leo Bailey, property mineral owner.

BOB WILSON: Mr. Chairman, I would like to report for the record, we received letters from Mr. Bailey and Ms. McClanahan. I'll pass out a copy of those letters to each of you at this time.

(Mr. Wilson passes out a copy of the letters.)

BENNY WAMPLER: Do you have a response to their---  
?

TIM SCOTT: Yes, sir. We...we have been in negotiations with several of those parties respondent now for several years since 2005. The leases were sent to these parties on...in February of 2007 before the hearing. We've

have telephone conversations with them. As is the usual practice for Pine Mountain, as Mr. Wilson can attest, we do not stop negotiating after a pooling order is granted. We continue...we would rather have a voluntary agreement among the parties versus a pooling situation. We've dismissed on several occasions applications once we've reached a voluntary agreement even after the order has been entered by the Board. So, we would like to go forward today, if we could, please. It's up to the Board's discretion, of course.

BENNY WAMPLER: Mr. Wilson, do you have anything to add?

BOB WILSON: No, sir.

BENNY WAMPLER: Well, let's go ahead and hear what your information is and we'll make a decision based on that.

TIM SCOTT: All right. Very good.

BENNY WAMPLER: Maybe we can answer some of their questions. It would help if---

(Witnesses are duly sworn.)

TIM SCOTT: The first witness is Phil Horn.

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you state your full name, please?

A. My name is Phil Horn.

Q. And by whom are you employed?

A. Pine Mountain Oil and Gas, Inc.

Q. And what's your job description with Pine Mountain?

A. I'm District Landman and I'm in charge of getting wells permitted and drilled and the title cleared and making arrangements to get the well's land cleared.

Q. Do you also participate in the preparation of pooling applications to be filed before the Board?

A. Yes, I do.

Q. And did you participate in this particular application?

A. Yes, I did.

Q. Is this unit located in the Nora Coalbed Gas Field?

A. That's correct.

Q. And how many acres does this unit contain?

A. 58.77.

Q. Does Pine Mountain have drilling rights in

this unit?

A. Yes, we do.

Q. And as of today, are there any parties respondent listed on Exhibit B-3 that should---?

A. No---.

Q. ---be dismissed?

A. No, there are not.

Q. Okay. As to the parties listed on Exhibit B-3, can you give us a history of what type of efforts you've made to reach a voluntary agreement with these parties?

A. We've been talking to four of the larger owners off and on since 2005 and we've not been able to reach an agreement. Then, the smaller owners who own and undivided interest in one tract there is nine of them...seven of these new owners. We've been talking to them probably for a while, but we sent them a certified lease February the 6th. In February, we sent them a certified lease. We did meet with them back in March and we've still not been able to reach an agreement.

Q. Have you had any telephone conversations---?

A. Yes, we have had telephone conversations and emails.

Q. Since that time?

A. Yes.

Q. Okay. How was notice of this hearing affected?

A. By certified mail.

Q. And was notice affected by any other means?

A. Yes. The hearing was published in the Bluefield Daily Telegraph.

Q. On what date, please?

A. February the 19th, 2007.

Q. Are there any unknown parties in this unit?

A. No.

Q. Have we filed proofs of publication and proofs of mailing with the Board?

A. Yes.

Q. Okay. Is Pine Mountain authorized to conduct business in the Commonwealth of Virginia?

A. Yes, we are.

Q. And do you have a blanket bond on file with the Commonwealth---

A. Yes, we do.

Q. ---or with the Department I mean? If you were able to reach an agreement with the parties listed on Exhibit B-3, what would be the terms that would be offered

for a coalbed methane lease?

A. Six dollars per acre for a five year lease with a one-eighth royalty.

Q. Is this a fair and reasonable compensation for a CBM lease in this area?

A. Yes, it is, in my opinion.

Q. What percentage of the coalbed methane estate does Pine Mountain have under lease?

A. 100%.

Q. And as to that percentage, does Pine Mountain actually have fee simple interest to the minerals underlying some of these tracts? Is that correct?

A. Yes, part of these tracts and units. That's correct.

Q. What percentage of the gas estate does Pine Mountain have under lease?

A. 57.17...14%.

Q. And what percentage of the gas estate are you seeking to pool?

A. 42.86%.

Q. Do we have an escrow requirement for this unit?

A. Yes, we do.

Q. And has an Exhibit E been filed with the

Board and the application?

A. Yes, it has.

Q. So, you're requesting the Board to pool the interest listed on Exhibit 3, is that correct?

A. That's correct.

Q. Are you also requesting that Pine Mountain be designated as operator for this unit?

A. Yes.

Q. And what would be the address used for any elections made by parties respondent under a pooling order?

A. It would be Pine Mountain Oil and Gas, Inc., 406 West Main Street, P. O. Box 2136, Abingdon, Virginia 24210, Attention: Phil Horn.

Q. And should all communications be sent to you at that address?

A. Yes.

TIM SCOTT: That's all the questions I have for Mr. Horn.

BENNY WAMPLER: Let me ask just one question to address the continuation or not continuation.

TIM SCOTT: Yes, sir.

BENNY WAMPLER: If you had a lease or if you had an agreement with these two parties sitting here, would you still have to force pool?

TIM SCOTT: Yes, sir, we would.

BENNY WAMPLER: So, continuing it wouldn't...  
wouldn't resolve that issue. I just wanted you to  
understand that component of it.

PHIL HORN: Yeah, other parties...right.

BENNY WAMPLER: You have other parties?

PHIL HORN: Yes, sir, not here, right.

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

(No audible response.)

BENNY WAMPLER: Do you folks have any questions of  
this witness?

LEO BAILEY: I have a comment to say. By not  
continuing it for us you are...you would be limiting our  
bargaining power on the lease. If they know they can force  
pool us in front of this Board, then we're not going to be  
able to work out no lease.

CONNIE McCLANAHAN: And we're still trying to do  
that.

BENNY WAMPLER: You have...you have a time frame  
of whether or not this...whatever this Board does to  
continue negotiations.

LEO BAILEY: Yeah, but that...that limits the  
bargaining power. We have no longer...we won't have no

bargaining power. Just basically take what they give and they've only been willing to offer since the meeting on the 3rd.

CONNIE McCLANAHAN: The 12th.

LEO BAILEY: The 3rd and the 12th. They've only been willing to renegotiate their lease in anyway.

BENNY WAMPLER: Do you have any response to that?

TIM SCOTT: Well, we were fairly close as of this past weekend and then it didn't work. So, we are not going to stop negotiating with these parties and we want them to be...to enter in an agreement that they believe is acceptable. But in order to go forward with the development of this unit, we felt it necessary to file the pooling application and go forward with it, Mr. Chairman. I mean, that's...that's the only avenue that we have.

BENNY WAMPLER: Call your next witness.

IAN LANDON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Would you state your name, please?

A. Ian Landon.

Q. And were you familiar with this application?

A. Yes, I am.

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

A. 2,475 feet.

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

A. 275 million cubic feet.

Q. As to the well costs, did you participate in the preparation of the AFE that has been filed with the application?

A. I assisted in this preparation and I approved it.

Q. As to the well costs, what's the estimated dry hole costs?

A. \$151,820.

Q. And the completed well costs?

A. \$399,007.

Q. Are you requesting the pooling of the coalbed methane reserves from the surface to the target depth and all coalbed methane formations in between, is that correct?

A. Yes.

Q. Okay. Does this AFE include a charge for supervision?

A. Yes, it does.

Q. And in your professional opinion, would the granting of this application prevent waste, protect correlative rights and be in the best interests of conservation?

A. Yes.

TIM SCOTT: Okay. That's all I have for Mr. Landon.

BENNY WAMPLER: Questions from members of the Board?

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather?

BRUCE PRATHER: What aspects of this lease are you in conflict with them? What part of it? Is it negotiating for the price or is something in the lease?

LEO BAILEY: Taxes.

CONNIE McCLANAHAN: Not the price.

BRUCE PRATHER: Pardon?

CONNIE McCLANAHAN: We have no problem with the price.

BRUCE PRATHER: Okay.

BRUCE PRATHER: I mean, it's hard for us to make a

ruling on this when we really don't know what the conflict is.

LEO BAILEY: Well, I can tell you, if it's all right.

BENNY WAMPLER: It's up to you.

LEO BAILEY: I'm wanting them to do the same that they're willing to do for the coal companies. In that lease where they've got...they was willing to pay all of the federal, state and counties and local taxing authorities in that lease. And on mine, they was willing to only do any county and local authorities on it. They're even willing to pay the exercise tax in the one they got off the coal company. I asked for the same thing and they're not willing to do the same thing on mine or they haven't put it in the lease so far. I can't see how you could do something for one leaseholder and deny another one the same.

TIM SCOTT: That part of contractual relationship between the coal company and Pine Mountain, of course, is not relevant to any private contract that would be entered into between these parties and Pine Mountain. The full facts of what actually occurred with that coal lease are not relevant to this...to this hearing.

BENNY WAMPLER: Well, of course, the Board never takes action on private contractual arrangements. I mean,

as to the continuation of the hearing for negotiation purposes, that's not something this Board has traditionally done. Typically, if you have not had proper notice or something is missing that's required by law to have your rights been able to be brought before the Board or, you know, any party and then we would take action in that regard. Any questions from members of the Board of this last witness?

(No audible response.)

BENNY WAMPLER: Do you folks have any questions as to the costs---?

CONNIE McCLANAHAN: I have one question.

BENNY WAMPLER: Yes, ma'am.

CONNIE McCLANAHAN: I've been trying to get an answer from Mr. Horn.

BENNY WAMPLER: Okay.

CONNIE McCLANAHAN: I've talked to Diane Davis. I asked them if we elect to participate or do the carried operator, will be given the same consideration because they said under the lease they would give...because this is a coalbed methane, under the lease would they give us...they said they would give our...stating that they wouldn't escrow our money, there would be no conflict and we would receive our royalties. Would we be given the same consideration if

we decide to participate or to do the carried operator? I can't get that answered.

PHIL HORN: Like I said, we're continuing to negotiate with them. We will try...we will address that.

CONNIE McCLANAHAN: I can't get an answer.

BENNY WAMPLER: I think we would have to have testimony about the escrow. We didn't hear any. I don't believe you answered the question. I think you should answer it. I don't think that that's private contractual from that standpoint.

TIM SCOTT: If there's a lease executed by these parties respondent, will they be paid a royalty payment?

PHIL HORN: Yes.

LEO BAILEY: That wasn't the question.

CONNIE McCLANAHAN: No, they done...they have already told us that and actually gave it to us in a lease. But my question is if we...if we elect to participate and not lease or elect to do the carried operator, will we be given the same consideration? Will they not escrow our money? Are they going to escrow it if we don't do the lease?

SHARON PIGEON: Is she in a tract that has to be escrowed? We haven't had any testimony on that? Could we have that?

PHIL HORN: This is an conflicting claim.

TIM SCOTT: It's a conflicting claim.

PHIL HORN: They own the oil and gas.

TIM SCOTT: Yes.

SHARON PIGEON: So, she will be escrowed?

TIM SCOTT: Yes, sir...yes, ma'am. I'm sorry.

BENNY WAMPLER: Do you understand that? There's  
other---.

CONNIE McCLANAHAN: Yes, I do.

BENNY WAMPLER: Okay.

CONNIE McCLANAHAN: Yes, I do.

BENNY WAMPLER: Does that answer your question?

CONNIE McCLANAHAN: That is an answer, yes.

BENNY WAMPLER: Other questions?

LEO BAILEY: I'd just like to say, again, I  
respectfully would like to ask for a continuance until we  
get some of these matters ironed out. I don't see how...if  
you participate...if you pick one of the options, then  
you're participating. You're willingly participating. How  
can they escrow your money?

CONNIE McCLANAHAN: And in 2005, they just brought  
their standard lease and give it to him and basically that's  
it until 2007, in January. He didn't even know that he even  
had other options or that he...that there was anything that

he could do or he was going to force pooled. He didn't even understand all of this at that point. It was not explained to him.

LEO BAILEY: Still, I say I can't see how they would be...be able to escrow the money on a conflict because if I enter into that agreement participating, then, I'm consenting to it.

PHIL HORN: I did discuss...you had looked up regulations when I met with you in 2005 and you knew all about this hearing. So, I...the first time you and Mike Shepherd met you discussed...you had already checked into what would happen if you did not sign a lease.

LEO BAILEY: Well, I'm still not getting my question answered today.

PHIL HORN: Well, I'm just saying you said that we had never talked to you about the force pooling or anything. But you had researched that yourself when I met with you and Mike.

TIM SCOTT: These discussions have been ongoing for almost two years now.

PHIL HORN: Almost two years ago.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson?

BOB WILSON: Maybe we should point out that there

are, I think, two different issues here. Number one, if you folks negotiate a lease with the company, then, the Board has no jurisdiction over that. Whatever terms and conditions you lease, whatever royalties or participating you negotiate is subjected to the terms and conditions of that lease. If the Board pools this unit, then, you're going to be subjected to Board rules. As I'm understanding testimony, there is a conflict between your ownership and the coal ownership. Under all circumstances, the Board will escrow any funds attributable to that conflicting interest. It will be escrowed into the Board's account, the report of which, you just heard a few minutes ago, and it will stay in that account whether it's participatory funds or royalties or anything else until such time as that conflict is settled either by a Court or an agreement. So, if you...if the...in short, if the unit is pooled under the conditions of the testimony given, all...anything...any proceeds that would be attributable to your interest will be escrowed by the Board---

LEO BAILEY: May I ask a question?

BOB WILSON: ---including participatory actions.

Yes.

LEO BAILEY: Are you saying even the ones that has signed the lease is going to be escrowed? Basically, that's

what you're saying.

BOB WILSON: Yes, sir. Yes, sir, now, if you...if you lease under the terms and the Board's conditions. Now, if you negotiate an individual lease with these folks, then, the Board has no jurisdiction over that at all. But if you react to any form of the Board order, either by being deemed to have leased or leasing to the company after that point in time or electing to participate, then, all of your interest will be escrowed by the Board.

LEO BAILEY: Well, that's even more important why I'm asking for a continuance then to get this worked out. That's a good point.

BENNY WAMPLER: Well, you have thirty days after receiving the Board order to make a decision on that. Any other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

SHARON PIGEON: We haven't had any testimony yet---.

BENNY WAMPLER: Oh, I'm sorry.

SHARON PIGEON: I didn't hear any testimony (inaudible).

BENNY WAMPLER: Oh, on the other parties.

SHARON PIGEON: On the tracts that have to go into

escrow.

BENNY WAMPLER: You didn't provide the information on the tracts that have to go into escrow.

(Ms. Pigeon confers with Mr. Wampler.)

TIM SCOTT: Yes, I did. I asked if this...if this unit would require an escrow and the answer was yes.

SHARON PIGEON: Yes, but you didn't give---

BENNY WAMPLER: Of what tracts is what she's saying.

SHARON PIGEON: You need the tracts in the record.

TIM SCOTT: I'm sorry. I'm sorry. Okay, Mr. Horn, which tracts would require escrow?

PHIL HORN: 1, 2, 3, 4, 7, 8, 9, 10, 11, 12 and 13.

TIM SCOTT: Is that where the conflicts arise?

PHIL HORN: Yes.

TIM SCOTT: I'm sorry, Ms. Pigeon. It's still Monday for me.

BENNY WAMPLER: Do you have anything further?

TIM SCOTT: No, sir.

BENNY WAMPLER: Have we answered the questions that you had?

LEO BAILEY: I guess pretty much you have.

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  
Katie Dye.)

BENNY WAMPLER: Opposed, say no.

KATIE DYE: No.

BENNY WAMPLER: You have approval.

TIM SCOTT: Thank you, sir.

BENNY WAMPLER: So, that is approved. You will  
have some time before you get a certified copy of the Board  
order and then you will have thirty days after that. It  
will all specify in the Board order. I hope you do  
understand, we can't hold up hearings on matters like this  
for negotiating purposes. That's just not something that  
we're authorized under law to do unless we had some external  
reason that we haven't heard today that would cause us to do  
that. I understand your point and I think the Board members  
understand your point, but that's just not something that we  
do for purposes of negotiation. We wish you good luck in  
those negotiations. You do have some time left to do that.

LEO BAILEY: I don't feel that we do. Thank you anyway.

BENNY WAMPLER: Thank you.

TIM SCOTT: Thank you.

BENNY WAMPLER: Next is a petition from CNX Gas Company, LLC appealing a decision of the Director of the Division of Gas and Oil to deny issuance of permits subsequent to Informal Fact Finding Hearing 19607. This is docket number VGOB-07-0417-1909. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JILL HARRISON: Mr. Wampler, excuse me.

BENNY WAMPLER: Sure.

JILL HARRISON: If you don't mind, may Equitable announce the continuation of two matters? I asked Mr. Swartz if he wouldn't mind if we took thirty seconds of your time to announce it.

BENNY WAMPLER: We'll be happy to hear that. Mr. Kaiser.

JIM KAISER: Mr. Chairman and members of the Board, Jim Kaiser on behalf of Equitable Production. Actually, I'm going to announce the continuance of three matters---.

BENNY WAMPLER: Okay.

JIM KAISER: ---with the Board's blessing. It will be items nineteen, twenty and twenty-one.

JILL HARRISON: Thank you, Mr. Kaiser. I appreciate it.

BENNY WAMPLER: Those will be continued. That's VGOB-07-0417-1920 and docket number 89-0126-0009-08 and docket number 89-0126-0009-09. Without objection, those will be continued until next month.

JIM KAISER: Thank you.

JILL HARRISON: Thank you. Thank you, Mr. Wampler and the Board.

BENNY WAMPLER: You're welcome.

JILL HARRISON: I appreciate you letting me interrupt you for just a moment.

BENNY WAMPLER: That's fine. Thanks. Good morning.

MARK SWARTZ: Morning.

BENNY WAMPLER: How are you?

MARK SWARTZ: I'm hanging in there.

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

MARK SWARTZ: Some housekeeping issues first.

BENNY WAMPLER: Okay.

MARK SWARTZ: I had written to the Board on items

four through eight with regard accounting issues that would prevent Anita from being done with a balance or a trial balance of those and we would request until June, sixty days, on four through eight. With regard to items three and twenty-three, which are appeals that I filed from some...two decisions that Mr. Wilson had made, Tom Mullins called me I think it was Wednesday or Thursday of last week explaining that both he and Ben Street had some issues in terms of availability. I got a copy of a letter that they sent to you all. I don't have an objection to that. Tom felt like he was available in May. So, that would be a thirty day. So, as far as I'm concerned that's okay.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: We did receive a letter from the Street Law Firm basically stating exactly what Mr. Swartz just said that both of the attorneys have Court appearances this morning and requesting the continuance.

BENNY WAMPLER: Okay. Here we go. We're continuing until May dockets number VGOB-07-0417-1909 and VGOB-07-0417-1921. Those are items three and twenty-three of the Board's agenda. Then items four through eight will be continued until June. The docket numbers are VGOB-98-0324-0638-02 and docket number VGOB-90-1010-0032-03, VGOB-

03-1216-1238-01, VGOB-91-0430-01116-02 and VGOB-90-1010-0033-03. Those are continued until June.

BOB WILSON: Mr. Chairman, may I make a statement for the record here?

BENNY WAMPLER: You may.

BOB WILSON: Those...I believe the reason that these were put on the docket was in order to comply with the state law that requires that you get on within thirty days of being notified of a settlement. Mr. Swartz mentioned that he had notified us of the intent to carry these forward and he also mailed that to the respondents for these disbursements, I believe.

MARK SWARTZ: Right. To alert them that they might not want to come, right.

BOB WILSON: Yeah.

BENNY WAMPLER: And I haven't heard anybody here objecting to a continuation, so those are continued. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit D-53. This is docket number VGOB-07-0417-1910. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

(Mr. Arrington is duly sworn.)

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Could you state your name for us?

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. Do you have a title?

A. Manager of environmental and permitting.

Q. Okay. What involvement did you have in terms of the preparation of the application, notices and exhibits for this hearing today?

A. Supervision of all of the drafting and (inaudible) signing it.

Q. Okay. And then you said...and you also signed by the notice and the application?

A. Yes, I did.

Q. Okay. What kind of unit is this?

A. Oakwood. It's an 80 acre unit.

Q. And how many wells are proposed?

A. One well for this unit.

Q. Okay. And where is it located in relation to the window?

A. Within the drilling window.

Q. Who is the applicant?

A. CNX Gas Company, LLC.

Q. And who is it that's requesting if the Board were to approve this application be the designated operator?

A. CNX Gas Company.

Q. Okay. Is CNX Gas Company, LLC a Virginia Limited Liability Company?

A. Yes, it is.

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

A. Yes, it is.

Q. And with regard to the designated operator issue, has CNX Gas Company, LLC registered with the DMME?

A. Yes, it is.

Q. And does it have a blanket bond on file with regard to its wells as is required?

A. Yes.

Q. What did you do to notify folks that there would be a hearing today?

A. We mailed by certified mail, return receipt on March 16, 2007 and published in the Bluefield Daily Telegraph on March the 23rd, 2007.

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

A. The notice of hearing and location map.

Q. And have you filed proofs of public...the proof of publication that you got from the newspaper and your certificates with regard to mailing with Mr. Wilson?

A. Yes, we have.

Q. Do you wish to dismiss any of these respondents today?

A. No.

Q. Do you wish to add any?

A. No.

Q. Would you tell the Board what interests you've been able to acquire and what it is you're seeking to, in effect, acquire by pooling?

A. Yes, we've acquired 100% of the coal owner's claim to the coalbed methane. 97.175% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 2.825% of the oil and gas owner's claim to coalbed methane.

Q. Have you filed an Exhibit E here?

A. Yes, we have.

Q. Okay. And are there escrow requirements for several reasons?

A. Yes.

Q. What tracts are we talking about?

A. 4A, 4B and 5.

Q. Okay. And what are the reasons?

A. There's the standard conflict between the coal, oil and gas owner, title conflicts and unknowns.

Q. And there's also an unknown issue?

A. Yes.

Q. And that affects all three...all of those problems affect all three of the tracts?

A. Yes, it does.

Q. Okay. Is this well drilled?

A. Yes, it is.

Q. And what's the permit number?

A. 74.11.

Q. And what's your estimate of total costs, both actual and estimated?

A. \$254,730.44 drilled to a total depth of 1,850 feet.

Q. And is this a frac well?

A. Yes, it is.

Q. And there are no split agreements, at least at this point?

A. No.

Q. So, we don't need to address that?

A. No.

Q. Is it your opinion that the plan for development of this unit as disclosed by the application, which is to drill one frac well in the drilling window, is a reasonable plan to develop the coalbed methane in this unit?

A. Yes, it is.

Q. Is it also your opinion that if you combine the pooling and acquisition efforts of the applicant with a pooling order pooling the slightly less than 3% of the oil and gas interests that the correlative rights of all owners and claimants will be protected?

A. Yes.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Questions from members of the Board?

MARK SWARTZ: Actually, that's not all I have.

Q. What...what lease terms have you employed to obtain the leases that you already have in this unit?

A. For a coalbed methane well, it's a dollar per acre per year with a five year paid up term and a one-

eighth production royalty.

MARK SWARTZ: With that addition, I am done, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: 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 Katie Dye.)

BENNY WAMPLER: Opposed, say no.

KATIE DYE: I abstain.

BENNY WAMPLER: One abstention. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit W-5. This is docket number VGOB-07-0417-1911. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

MARK SWARTZ: Mr. Chairman, I would like to incorporate Mr. Arrington's previous testimony today with regard to both the applicant and the operator, his employment and standard lease terms.

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. Okay. Who's the applicant here?

A. CNX Gas Company.

Q. And who is it that the application request be appointed designated operator in the event the Board were to pool this unit?

A. CNX Gas.

Q. Who prepared or supervised the preparation of the notice, the application and the related exhibits?

A. I did.

Q. Who signed them?

A. I did.

Q. This is what kind of a unit?

A. It's an Oakwood 80 acre unit.

Q. And how many wells are proposed for this unit?

A. Two wells.

Q. Okay. Presumably, this is in an area where we've got a modification order for infill drilling?

A. I would hope so. If not, we'll get it.

Q. Okay. Okay. Do you have permits for these wells?

A. Yes, we do.

Q. Okay. And have you filed a cost estimate with regard to both of them?

A. Yes, we have.

Q. All right. Let's...let's take permit number 7815 and tell us what the cost estimate and the depth for that one would be?

A. \$231,293.34 and its depth is 2231.

Q. Okay. And now with regard to permit number 7812, what's the depth and what's the cost estimate?

A. The depth is 2463, cost is \$248,223.14.

Q. Are both of these wells frac wells?

A. Yes.

Q. What did you do to notify the respondents

that there would be...and others, that there would be a hearing today?

A. We mailed by certified mail return receipt requested on March 16, 2007. We published in the Bluefield Daily Telegraph on March 23, 2007.

Q. When you published, what was published in the paper?

A. The notice of hearing and location map.

Q. Have you filed the certificate of publication that you received from the newspaper and your certificates with regard to mailing with Mr. Wilson's office?

A. Yes, we have.

Q. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any today?

A. No.

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

A. We've acquired 99.6577% of the coal owner's claim and 95.7785% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 0.3423% of the coal owner's claim to coalbed methane and 4.2215% of the oil and gas owner's claim to coalbed methane.

Q. We have some escrow requirements here,  
right?

A. Yes. Tract 1A, 1C, 1D, 1E and 4.

Q. Okay. And in Tract 4, we have some address  
unknown issues?

A. Yes.

Q. And the conflicts...and we have conflicts  
in all of the tracts that you've listed, correct?

A. Yes. Uh-huh.

Q. Are there any split agreements?

A. Yes. For Tract 1B and 1E.

Q. And with regard to the split agreements,  
are you requesting that any Board enter...Board order that  
might be entered here would allow the operator to pay the  
folks who have split agreements directly in accordance with  
the terms of their split agreements rather than escrowing  
their funds?

A. Yes, we would.

Q. It is your opinion that if you combine the  
leasing and acquisition efforts that the applicant has  
succeeded in with a Board order pooling the outstanding  
interests that the correlative rights of all owners and  
claimants to coalbed methane would be protected?

A. Yes, it would be.

Q. Is it your opinion that drilling two frac wells in the drilling window of this Oakwood 80 acre unit is a reasonable method to develop the coalbed methane within and under this unit?

A. Yes, it is.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BRUCE PRATHER: 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 Katie Dye.)

BENNY WAMPLER: Opposed, say no.

KATIE DYE: I abstain.

BENNY WAMPLER: Ms. Dye abstains. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AY-102. This is docket number VGOB-07-0417-1912. 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 again.

BENNY WAMPLER: The record will show no others.

You may proceed.

MARK SWARTZ: Mr. Chairman, I would ask that we, again, incorporate Les' testimony today with regard to the applicant and operator, standard lease terms and his employment, if we could.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. What kind of a unit are we talking about here?

A. It's a Nora unit, 58.77 acres.

Q. And how many wells are proposed?

A. One.

Q. And where is it located in relation to the window?

A. Within the drilling window.

Q. Okay. What did you do to notify the

respondents and others that there would be a hearing today?

A. We mailed by certified mail return receipt on March 16, 2007, published in the Bluefield Daily Telegraph on March the 23rd, 2007.

Q. When you published what was published in the paper?

A. The notice of hearing and location map.

Q. Have you filed proofs of publication that you received from the newspaper and your certificates with regard to mailing with Mr. Wilson's office?

A. Yes, we have.

Q. Do you wish to dismiss any of these respondents?

A. No.

Q. Do you wish to add any respondents today?

A. No.

Q. What interests have you been able to acquire and what interests are you seeking to pool by this application?

A. We've acquired 100% of the coal owner's claim to coalbed methane and 59.2652% of the oil and gas owner's claim. We're seeking to pool 40.7348% of the oil and gas owner's claim.

Q. Okay. Have you included a well cost

estimate?

A. Yes, we have. It's \$268,801.70 to a depth of 2,486 feet. The permit number 7371.

Q. And is this a frac well?

A. Yes.

Q. There are conflicts here?

A. Yes. Tract 1C, 1D, 1E and 1F.

Q. And with regard to those four tracts, it's just traditional conflicts, as I recall.

A. We have some unknown in apparently 1D and 1F.

Q. Oh, okay. So, conflicts and unknowns in 1D and 1F?

A. Yes.

Q. Do we have any split agreements?

A. 1A, 1B, 1D and 1F.

Q. And with regard to those tracts and Exhibit EE that addresses the split agreements, are you requesting that in the event the Board were to pool this unit that it would allow the operator to pay the people who have entered into split agreements directly in accordance with their agreements as opposed to escrowing their funds?

A. Yes.

Q. Is it your opinion that drilling one frac

well in the window of this Nora unit is a reasonable way to develop the coalbed methane in and under this unit?

A. Yes, it is.

Q. Is it your further opinion that if you combine your leasing efforts...the applicants leasing efforts in which it has succeeded with a pooling order pooling the outstanding portion of the oil and gas interests that the correlative rights of all owners and claimants would be protected?

A. Yes, it would.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

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 Board members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

KATIE DYE: I abstain.

BENNY WAMPLER: Ms. Dye abstains. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BC-135. This is docket number VGOB-07-0417-1913. 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 again.

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

MARK SWARTZ: Mr. Chairman, I would like to, again, incorporate, if I could, Mr. Arrington's testimony from the first hearing today with regard to the applicant and operator, standard lease terms and his employment.

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. What...what kind of a unit do we have here?

A. This is a Middle Ridge. It's 58.74 acres.

Q. And how many wells are proposed?

A. One.

Q. Is it...where is it in relation to the window?

A. It's within the drilling window.

Q. Okay. What did you do to notify people that we were going to have a hearing today?

A. We mailed by certified mail return receipt requested on March 16, 2007 and published in the Bluefield Daily Telegraph on March 24, 2007.

Q. When you published, what was published in the paper?

A. The notice of hearing and location map.

Q. Have you filed proofs of publication that you received from the newspaper and your certificates with regard to mailing with Mr. Wilson?

A. Yes, we have.

Q. Do you wish to add any respondents today?

A. No.

Q. Do you wish to dismiss any?

A. No.

Q. Have you provided a well costs estimate for this unit?

A. Yes, we have. It's \$244,644.74 to a depth of 2,420 feet. The permit number is 7847.

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

A. Yes. We've acquired 86.9935% of the coal owner's claim to coalbed methane and 87.3851% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 13.0065% of the coal owner's claim to coalbed methane and 12.6149% of the oil and gas owner's claim to coalbed methane.

Q. Are there conflicts here?

A. Tract 9.

Q. So, that would require escrow for that tract?

A. That's right.

Q. There are no split agreements, correct?

A. Correct.

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

A. Yes, it is.

Q. Is it your further opinion that if you combine a pooling order with the leasing and acquisition efforts in which CNX Gas Company has been successful that the correlative rights of all owners and claimants will be

protected?

A. Yes, they will.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

KATIE DYE: I abstain.

BENNY WAMPLER: One abstention, Mrs. Dye. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit DD-49. This is docket number VGOB-07-0417-1914. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

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

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. What kind of a unit are we talking about with regard to DD-49?

A. It's an Oakwood, 80 acre unit.

Q. How many wells are proposed?

A. Two.

Q. Are they both frac wells?

A. Yes.

Q. Where are they located in relation to the window?

A. Both within the drilling window.

Q. Okay. And where are they located in terms of distance between them? Does it exceed 600 feet?

A. Yes.

Q. Okay. With regard to permit number 6597...I'm sorry, 6594, have you provided a well costs estimate?

A. It's \$218,412.42. It's depth was 2,225 feet.

Q. Okay. With regard to permit number 6820, what is your well costs estimate?

A. It's \$234,828.06 to a depth of 2,042 feet.

Q. What interests have you been able to acquire and what are you seeking to pool?

A. We've acquired 97.125% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 2.875% of the coal, oil and gas owner's claim to coalbed methane.

Q. What did you do to notify Penn Virginia and others that there was going to be a hearing today?

A. We mailed by certified mail return receipt requested on March 16, 2007 and published in the Bluefield Daily Telegraph on March 24, 2007.

Q. Okay. When you published, what appeared in the paper?

A. The notice of hearing and location map.

Q. Have you filed the certificate of

publication that you got from the newspaper and your certificates with regard to mailing with Mr. Wilson's office?

A. Yes, we have.

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

A. No.

Q. Do you wish to dismiss anyone?

A. No.

Q. I take it there's no escrow requirement?

A. No.

Q. And there are no split agreements, correct?

A. No.

Q. Is it your opinion that if you combine a pooling order with the leasing and acquisition efforts in which CNX Gas Company has been successful that the correlative rights of all owners and/or claimants would be protected?

A. Yes, it would.

Q. Is the drilling of two frac wells in this unit, in your opinion, a reasonable way to develop the coalbed methane from within and under this unit?

A. Yes, it is.

Q. And, again, with regard to this Oakwood 80

acre unit, is it located in an infill drilling area?

A. Yes, it is.

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

BENNY WAMPLER: Would you explain the Reserve Coal Properties, the P3 seam?

LESLIE K. ARRINGTON: Yes. Reserve Coal Properties, CNX owns the coalbed methane within the Pocahontas Number 3 seam. It was purchased from...at the time we purchased it, it was purchased from a fee owner.

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

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes, but Katie Dye.)

KATIE DYE: I abstain.

BENNY WAMPLER: Ms. Dye abstains. Next is a

petition from CNX Gas Company, LLC for pooling of coalbed methane unit FF-41, docket number VGOB-07-0417-1915. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

MARK SWARTZ: I'd like to incorporate, if I could, Mr. Arrington's testimony with regard to the applicant, the operator, standard lease terms offered by the applicant and his employment.

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Your name again, Les.

A. Leslie K. Arrington.

Q. Did you prepare or supervise the preparation of the notice and application?

A. Yes, I did.

Q. Did you sign both of them?

A. Yes.

Q. Have you listed all of the respondents in the application and Exhibit B-3?

A. Yes, we have.

Q. So, you don't want to add anybody or subtract anybody today?

A. No.

Q. What did you do to notify these respondents and others that there would be a hearing today?

A. Mailed by certified mail return receipt requested March 16, 2007 and published in the Bluefield Daily Telegraph March 24, 2007.

Q. What was published?

A. The notice of hearing and location map.

Q. Have you filed the proof of publication that you got from the newspaper and your certificates with regard to mailing with Mr. Wilson?

A. Yes, we have.

Q. What kind of a unit do we have here?

A. It's a Oakwood unit. It's 89.45 acres.

Q. How many wells are proposed?

A. One.

Q. Is it in the window?

A. Yes.

Q. Is it a frac well?

A. Yes, it is.

Q. What is your well cost estimate with regard to that well?

A. \$246,895.48 to a depth of 2,461 feet.

Q. What's the permit number?

A. 78.17.

Q. What interests have you acquired in this unit and what are you seeking to pool?

A. 100% of the coal owner's claim to coalbed methane and 99.5752% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 0.4248% of the oil and gas owner's claim to coalbed methane.

Q. Is it your opinion that if you combine a pooling order pooling, you know, slightly less than half a percent here, it would be a leasing and acquisition efforts that CNX Gas has been successful with that all of the correlative rights of all of the owners and claimants would be protected?

A. Yes.

Q. Is it your opinion that drilling one well in this unit is a reasonable way to develop the coalbed methane within and under this unit?

A. Yes, it is.

Q. There's an Exhibit E attached, correct?

A. Yes, it is for Tract 2B.

Q. And that would be just traditional  
conflicts?

A. Yes, it is.

Q. And there are no split agreements here to  
worry about?

A. No.

Q. At least as of yet?

A. Right.

MARK SWARTZ: Okay. I think that's all I have,  
Mr. Chairman.

BENNY WAMPLER: Questions from members of the  
Board?

(No audible response.)

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  
Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

MARK SWARTZ: Thank you all.

KATIE DYE: And I abstain.

BENNY WAMPLER: Ms. Dye abstains. Thank you.

Next is a petition from Equitable Production Company for pooling coalbed methane unit VC-537614. This is docket number VGOB-07-0417-1916. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman and members of the Board, Jim Kaiser and Don Hall on behalf of Equitable. We do have some revised exhibits for this first matter.

(Mr. Hall passes out exhibits.)

(Mr. Hall is duly sworn.)

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

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

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

A. They do.

Q. Are you familiar with Equitable's application seeking a pooling order and seeking to pool all the unleased interest in the unit for EPC well number VC-537614, which was dated March 16, 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 by your land department to obtain a voluntary lease from each of the interest owners within this unit?

A. Yes.

Q. Okay. And this morning, we did hand out a revised set of exhibits. I think the purpose of that was to reflect some additional leases that were picked up since the time of the filing of the application, is that correct?

A. That's correct. They're listed in Exhibit B-2.

Q. Okay. So, they would be listed in B-2 as parties that were dismissed, right?

A. That's correct.

Q. Okay. So, now, in this point in time, as of today, what the interest in the gas estate under lease to Equitable?

A. We have 83.68% of the gas estate leased.

Q. And what percentage of the coal estate is under lease to Equitable?

A. 100%.

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

A. Yes.

Q. So, that means at this point in time 0% of the coal estate is unleased and 16.32% of the oil and gas estate is unleased?

A. That's right.

Q. Okay. And in this particular unit, we do

not have any unknown or unlocateables, correct?

A. That's correct.

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

A. Yes.

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

A. They are.

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

A. Yes.

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

Q. Now, as to those respondents listed at revised Exhibit B-3, who remain unleased, do you agree that they be allowed the following statutory options with respect to their ownership interest within the unit: 1) Participation; 2) a cash bonus of five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his/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 any elections by the respondents be in writing and sent to the applicant at Equitable Production Company...what's

that new address?

A. Um---.

JIM KAISER: The same address we had last month. I don't have it on here. I can't remember. It changed, didn't it?

A. It's a Pittsburgh address, yes.

JIM KAISER: It's in Pittsburgh now, yeah. I'm sorry, Ms. Pigeon. Whatever...whichever...whatever we had last time. I've still got Charleston in my questions. But I know it's Pittsburgh now. If you need that, I'll get it for you and call you this afternoon.

SHARON PIGEON: It's okay.

JIM KAISER: I'll just have her put it in the order.

BENNY WAMPLER: We have it in the testimony last month.

Q. And 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 made, then such respondent should be deemed to have elected the cash royalty option in lieu of participation?

A. Yes.

Q. Should the unleased respondents be given 30 days from the date that 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 well costs?

A. Yes.

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

A. We do.

Q. Should the applicant be allowed 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 cash bonus or delay rental becoming due under the 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 that respondent's election to participate should be treated as having been withdrawn and void and such respondents should

be treated as deemed to have leased?

A. Yes.

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

A. Yes.

Q. In this case, the Board does need to establish an escrow account that will include the proceeds from the entire unit, all thirty-one tracts needs to be escrowed, is that correct?

A. That's correct.

Q. Okay.

A. Who should be named operator under the force pooling order?

A. Equitable Production Company.

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

A. 2569 feet.

Q. The estimated reserves for the unit?

A. 230 million cubic feet.

Q. Now, has an AFE been reviewed, signed and

submitted to the Board as Exhibit C?

A. Yes.

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

A. It does.

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

A. The dry hole costs is \$143,224 and the completed well costs is \$328,206.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson?

BOB WILSON: A couple of things. For the record, since these folks don't seem to know where their office is, last month's transcript shows the address to be Equitable Production Company, P. O. Box 23526, Pittsburgh, Pennsylvania 15222, Attention: Land Administration, Nicole Atkinson.

JIM KAISER: Thank you, Mr. Wilson.

BOB WILSON: Yes, sir. Also, please, your revised Exhibit B-3, since that's the exhibit that we file with the Board order, it needs to designate that this is the gas estate. There's no indication on that exhibit that I can see that indicates that that is...that this is the gas estate that's being escrowed or pooled here.

JIM KAISER: Okay.

BENNY WAMPLER: Do you agree with that?

JIM KAISER: Yes.

BENNY WAMPLER: You will submit a revised B-3?

JIM KAISER: (Indicates in the affirmative.)

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved as submitted with the revised exhibits and with the further revision of B-3 to show that it's the gas estate only.

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---.

BRUCE PRATHER: Abstain.

BENNY WAMPLER: One abstention, Mr. Prather. 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-537155. This is docket number VGOB-07-0417-1917. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman and members of the

Board, 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, again, state your name and who you're employed by.

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

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

A. They do.

Q. Are you familiar with the application that we filed seeking a pooling order and seeking to pool any unleased interest in the unit for EPC well number VC-537155, dated March 16, 2007.

A. Yes.

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

A. We do.

Q. And prior to the filing of the application,

did you make efforts to contact each of the respondents owning an interest in the unit and make an attempt to work out a voluntary lease agreement?

A. Yes.

Q. Okay. Now, at this time, what is the interest under lease to Equitable in the gas estate in the unit?

A. We have 99.198833% leased.

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

A. A 100%.

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

A. Yes.

Q. So, the only interest that remains unleased at this point in time is in the gas estate and that would be 0.801167%?

A. That's correct.

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

A. No.

Q. Okay. And in your professional opinion, was due diligence exercised to locate each of the respondents?

A. Yes.

Q. And are the addresses listed in Exhibit B, the addresses...the latest addresses for all respondents?

A. Yes.

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

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

A. They do.

JIM KAISER: Now, Mr. Chairman, at this time, I'd ask the Board to incorporate the testimony regarding the unleased parties and the statutory elections options that was first taken this morning in item 1916.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, the Board does need to establish an escrow account for this unit for---?

A. Yes.

Q. ---any proceeds that are attributable to Tract 1, right?

A. Yes.

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

A. Equitable Production Company.

Q. The total depth of this proposed well?

A. 2428 feet.

Q. Estimated reserves?

A. 230 million cubic feet.

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

A. It has.

Q. Does it represent a reasonable estimate of the well costs, in your opinion?

A. Yes.

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

A. The dry hole cost is \$141,488 and the completed well cost is \$358,323.

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 granting 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.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we would ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BENNY WAMPLER: Second?

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a  
petition from Equitable Production Company for pooling of  
coalbed methane unit VC-537100. This is docket number VGOB-  
07-0417-1918. 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. We do have a corrected plat for this particular  
unit that Mr. Hall is passing out to you.

(Mr. Hall passes out a revised exhibit.)

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

DON HALL: The reason I passed out a corrected  
plat, there was some errors in the tract information on the  
plat. The CBM was attributed to the wrong parties on the  
plat and this plat corrects that information. It reflects  
the same thing that's in the exhibit that the plat was  
wrong.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. And 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 a pooling order and seeking to pool all the unleased interest in the unit for EPC well number VC-537100, dated March 16, 2007.

A. Yes.

Q. Does Equitable own drilling rights in this unit?

A. We do.

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

A. Yes.

Q. And what is the interest within the gas estate that's under lease to Equitable within this unit?

A. We have 98.13% leased.

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

A. A 100%.

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

A. That's correct.

Q. So, the only thing that remains unleased in the unit is 1.87% of the gas estate, is that correct?

A. That's correct.

Q. Okay. Again, we don't have any unknown or unlocateables, correct?

A. That's correct.

Q. In your professional opinion, was due diligence exercised to locate each of the respondents within this unit?

A. Yes.

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

A. Yes.

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

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 that 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. Yes.

JIM KAISER: Okay, Mr. Chairman, again, we'd ask that the statutory elections options afforded the unleased parties and their time frames in which to make those elections that were first taken in item 1916 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, the Board, again, needs to establish an escrow account for this unit for the proceeds attributable to Tract 2, is that correct?

A. That's correct.

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

A. Equitable Production Company.

Q. The total depth of this well?

A. It's 2393 feet.

Q. Estimated reserves for this unit?

A. 330 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. The dry hole cost is \$132,693 and the completed well cost is \$303,835.

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 granting 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: On your revised plat, if you have that handy, where you list...this time you added Pine Mountain Oil and Gas over in, I guess, Tract 2.

DON HALL: Yes.

BENNY WAMPLER: Are...is that showing them unleased or leased?

DON HALL: No, it's showing...the lease number is the---?

BENNY WAMPLER: The one above?

DON HALL: The one above---.

BENNY WAMPLER: Okay.

DON HALL: ---and then the unleased is (inaudible).

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

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we would ask that the application be approved as submitted with the corrected

plat.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-501842. This is docket number VGOB-07-0417-1919. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, we have a corrected plat for this unit, Mr. Chairman.

(Mr. Hall passes out a corrected plat.)

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

Q. Are you familiar with the application that Equitable filed seeking a pooling order and seeking to pool any unleased interest in the unit for EPC well number VC-501842, which was dated March 16, 2007.

A. Yes.

Q. Does Equitable own drilling rights in the unit?

A. We do.

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

A. Yes.

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

A. Yes. What is---

Q. What is the interest

A. 92.831667%.

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

A. A 100%.

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

A. Yes.

Q. So, the percentage that remains unleased is within the gas estate and it's 17.168333%?

A. Yes.

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

A. That's correct.

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

A. Yes.

Q. And why did we file the corrected plat?

A. Again, it was some corrections of the labeling of the tracts. Pine Mountain had been left off as a CBM claimant. This plat corrects that error.

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

A. Yes.

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

A. Yes.

Q. 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 that 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. Yes.

JIM KAISER: Mr. Chairman, again, we'd ask that the statutory elections testimony be incorporated that was taken earlier in 1916.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, for this particular unit, the Board does need to establish an escrow account for all four tracts?

A. For four of the five tracts, yes.

Q. Four of the five tracts, I'm sorry.

A. Yeah.

Q. So, that would be Tracts 1 through 4?

A. That's correct, yes.

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

A. Equitable Production Company.

Q. The total depth for this well?

A. It's 2,010 feet.

Q. Estimated reserves for this unit?

A. 330 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. The dry hole cost is \$162,244 and the completed well cost is \$363,450.

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

granting this application be in the best interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

JIM KAISER: No further of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

(Mr. Wampler and Ms. Pigeon confer.)

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We would ask that the application be approved as submitted with the corrected plat.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: 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. Folks that are here today, I want to make sure that we're not missing you now. We're down to the last one. So, if you have questions, you know, that are sitting here, I want to make sure we're not skipping over what you're concerned about. The next item is a petition from Equitable Production Company for disbursement of funds and authorization for direct payment of royalties on Tract 2, unit VC-505187. This is docket number VGOB-02-0618-1035-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser on behalf of Equitable. You have our application that we filed. This is the well that these folks elected to participate in. Do you have a bank reconciliation for this unit?

BOB WILSON: I don't, no.

JIM KAISER: You don't? The only thing...I don't guess they're here today, the Fletcher Heirs. Are you the Fletcher Heirs?

AUDIENCE MEMBER: No.

JIM KAISER: No. The only...I don't whether or not maybe we've made some disbursements that haven't been

posted by the bank, but we have...the only problem...I'm willing to go ahead and have you all do this according to our numbers, but we have...Equitable has got \$8,288.21 that aren't showing up in the bank's records yet.

BENNY WAMPLER: We need a reconciliation when we...Mr. Wilson, do you have anything? We would need them to reconcile, right?

BOB WILSON: Yes, sir. I don't have anything. The only reconciliation that is done is what you guys do before you come in here. I don't have anything on that at all.

JIM KAISER: I guess, then, our folks need to get ahold of the bank and see where that is and then we'll bring his back or something.

BENNY WAMPLER: Right. We'll continue it until next month.

JIM KAISER: Okay.

BENNY WAMPLER: Is no one here for this particular one for disbursement?

JIM KAISER: It's about a hundred dollars.

(No audible response.)

BENNY WAMPLER: There's a...a whole lot that might want to come forward on this one.

(Laughs.)

BENNY WAMPLER: Okay.

JIM KAISER: So, my guess is maybe they're just behind on the posting. Yeah, if we can just continue.

BENNY WAMPLER: Continue it to next month.

JIM KAISER: And the Fletchers if they complain, we'll say, "Well, we're protecting your interest."

SHARON PIGEON: And then your---

BOB WILSON: Mr. Chairman...excuse me.

SHARON PIGEON: ---figures will be through a date ascertain and then we'll---

JIM KAISER: Right.

SHARON PIGEON: ---go from that point on the basis of percentage.

BOB WILSON: I have been in contact one of the recipients of this disbursement and I know no doubt probably will be again. But I can inform that it was the Board's decision to carry it forward to achieve reconciliation. I suspect that they would approve of that too.

BENNY WAMPLER: Well, understand, we know we don't ever have the exact penny because this is an ongoing thing, but we need it as...reconciled as of a particular date and then ordered to be paid directly after that date.

JIM KAISER: Well, we could probably...let me see what this date is through. Maybe we can still achieve that.

BOB WILSON: We have, Mr. Chairman...if you recall in the past, we have had some accounts that were not able to be balanced to the penny---.

JIM KAISER: Right.

BENNY WAMPLER: Right.

BOB WILSON: ---but generally the parties involved had that accounting in hand and were there to state that they would accept that.

BENNY WAMPLER: Right. That's...that's right.

JIM KAISER: This appears to be through 1/31/07.

SHARON PIGEON: Those figures reconciled through that date. I mean, do you have it balanced through a date?

JIM KAISER: No, we don't have it balanced...yeah, it's still got a discrepancy through 1/31/07.

DON HALL: Is that the bank balance of 1/31 or ours?

JIM KAISER: This is the bank balance. See they've only got...well---

DON HALL: So, they haven't...they haven't deposited anything since January, it sounds like.

JIM KAISER: Well, what the---

SHARON PIGEON: We need it through a date certain.

JIM KAISER: The bank has \$90,996.90 and we have \$99,285.11.

BENNY WAMPLER: No. We have to have a balance.

Okay, that matter will be continued.

BOB WILSON: Mr. Chairman---

BENNY WAMPLER: Mr. Wilson?

BOB WILSON: ---before we go on, I have one thing that I need to bring to the Board's attention. This has to do with an earlier disbursement that was approved earlier in, I believe, September of last year. This was under docket number 94-0816-0467-01. Disbursements were approved for Fred N. Kiser, Roy Curtis Kiser and Virginia Kiser who are Heirs of Missouri Kiser in a tract of property in that particular unit. This, fortunately as it turns out, has not been disbursed because we were waiting on tax ID numbers for that particular county. However, in the meantime, we have been contacted by parties who are claiming interest in that tract of land that we were disbursing. We have some reason to be concerned about that. I'll try to get this straight. We...the Board on...in April of 2005 pooled a conventional gas unit that involved this same tract of land, these same tracts of land actually. At that hearing, the Missouri Kiser Heirs' tract was subjected to being contested by Ms. Trula Powers, who appeared before the Board and claimed that, in fact, she owned...she and her family owned the mineral interest in the tract that was described to Missouri

Kiser Heirs. The company testimony...Equitable's testimony was that their records indicated that the mineral property did belong to the Missouri Kiser Heirs. However, the Board decided since the conflict had been brought up and both sides had presented evidence to claim the interest that they would...that we would escrow the funds attributable to the Missouri Kiser Heirs' tract under that conventional unit. Again, that's the same tract that we have subsequently approved for disbursement under the coalbed methane well. It involves those same tracts of land. It gets a little bit contorted here. What happened was with the disbursement, Pine Mountain Oil and Gas who was the CBM owner, relinquished their claim to the CBM in that particular tract. They did not verify the ownership and their letter basically states that. The recipients were perfectly happy, of course, to take that. However since we are escrowing the funds for that tract due to conflict under a conventional well, it's my thought that it would be...we would be absolutely remiss to release any moneys from that tract because we are aware of the fact that it is under conflict. The Board has ruled in one instance that it under conflict and the money would remain in escrow until it was taken care of. I'm not sure exactly how to take care of it. We'll probably have to lean on Ms. Pigeon for this, to some

degree. My recommendation would be that we take whatever steps necessary to withdraw the approval of that disbursements and require Equitable to provide a revised supplement order showing that tract under conflict and continue to escrow that money until the conflict between the powers and the Missouri Kiser Heirs is settled.

BENNY WAMPLER: Let's put it on the Board's docket for next month---.

BOB WILSON: Okay.

BENNY WAMPLER: ---and try to articulate in the announcement as clearly as we can that...what you have just stated.

BOB WILSON: Okay. Should we or---?

BENNY WAMPLER: And notice, particularly the parties.

BOB WILSON: Yeah. Do we need to do that...the Board needs to provide that notice?

BENNY WAMPLER: (Indicates in the affirmative.)

BOB WILSON: Okay. Since it's on our motion.

BENNY WAMPLER: Right.

BOB WILSON: Okay.

DON HALL: As I recollect Ms. Trula Powers, she had a tract in the conventional well that we force pooled in '05 and then this Missouri Kiser tract was in that as well.

We were force pooling Ms. Powers' tract and she, at that hearing, says we also own the Missouri Kiser tract. Our position was then and still is that the Missouri Kiser Heirs own that tract. She doesn't have any interest in it. I mean, she just made a claim at the hearing that she owned it. The Board decided to escrow it at that time, is the way it came about.

BENNY WAMPLER: It's basically the way the law is. Any claimant. She became a claimant until it's resolved. Ms. Quillen?

MARY QUILLEN: A question for Mr. Wilson, the conventional well is in the same tract as the CBM well and they are claiming ownership of both the gas from the conventional as well as the CBM well?

BOB WILSON: That's correct. As Mr.---

MARY QUILLEN: Is that possible?

BOB WILSON: Excuse me. As Mr. Hall pointed out, there are adjoining tracts, the Powers' tract there was no conflict and no problem with it because the ownership of that was fairly straight forward. However, the Powers are also claiming ownership and testified before the Board that they had been paying taxes on that tract for years as the Missouri Kiser Heirs. I think, again, as Mr. Wampler said, the conflict was brought forward and the Board can't

determine it. So, the results was to put it into escrow.

MARY QUILLEN: Well, do the Missouri Kiser Heirs have any proof of ownership of that property, like the Powers has the...if I remember correctly, had tax---?

BOB WILSON: I don't know. It's not our mandate to---.

MARY QUILLEN: Right.

BOB WILSON: ---even consider that.

MARY QUILLEN: Right. Just as curiosity.

DON HALL: We have all...we have all of the Missouri Kiser Heirs leased. We didn't have to force pool any of them. There's quite a few of them. We have a title opinion that says they own it.

MARY QUILLEN: Oh, okay.

BENNY WAMPLER: I'm not trying to interrupt things. I'd really rather not have a whole lot of discussion on this until we get it properly before us next month. When we do that, we'll try to deal with it.

BOB WILSON: I'll try to make some notes so that I can present it a little more coherently next time.

BENNY WAMPLER: Well, it was pretty well presented. I think we understand the issue.

SHARON PIGEON: Well, we would like someone else to testify beside you, Mr. Wilson. Someone who has a

property in this.

BENNY WAMPLER: Yeah. Okay. The Board members received the minutes from the last hearing. Is there any additions or corrections or a motion to approve?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Motion is seconded for approval.

Any 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. Public comment period. Any public comments?

(No audible response.)

BENNY WAMPLER: Hearing none, the hearing is adjourned. 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 7th day of May, 2007.

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NOTARY PUBLIC

My commission expires: August 31, 2009.