

VIRGINIA:

IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD

JULY 17, 2007

APPEARANCES:

BOARD MEMBERS:

MARY QUILLEN - PUBLIC MEMBER

KATIE DYE - PUBLIC MEMBER

BILL HARRIS - PUBLIC MEMBER AND SUB. CHAIRMAN

BRUCE PRATHER - GAS & OIL INDUSTRY REPRESENTATIVE

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

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BILL HARRIS: Good morning. I'm Bill Harris. I will Chair today's meeting. Benny is not available. I'm Bill Harris, a public member from Big Stone Gap, Wise County. I'm on the faculty at Mountain Empire Community College. I'd like for the other members to...Board members to introduce themselves starting with Ms. Quillen.

MARY QUILLEN: Mary Quillen. I'm a public member. I'm the Director of Graduate Programs for the University of Virginia here at the Higher Education Center.

KATIE DYE: Katie Dye. I'm 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. I'm a consulting geologist.

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.

BILL HARRIS: Thank you. The first item today that we have, the Board will receive a quarterly report on the Board's escrow account as administered by Wachovia Bank, Escrow Agent for the Virginia and Oil Board.

BOB WILSON: Mr. Chairman, I'm going to ask for the Board's indulgence on this matter and I'm going to ask

to give this report at our next hearing. I got the information from our escrow agent and quiet honestly procrastinated doing my usual balancing and putting my report together and discovered when I did this late yesterday that the numbers that are supplied for the last quarter do not exactly match what the numbers that we got for our report last quarter. There's not continuity between these two reports. I couldn't figure out what the discrepancy is. It was too late to get anybody at the bank. So, with the Board's indulgence, I will during our business session after the hearing next month, deliver the report to you at that time.

BILL HARRIS: That would be fine. Thank you. The next item, we have a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment to royalties on Tract 4A, 4D and 4E, unit V-36, Garden District, Buchanan County, Virginia. The docket number is VGOB-98-0324-0638-02. Would all members who are speaking on behalf of this, please come forward.

MARK SWARTZ: Mr. Chairman, Mark Swartz and Anita Duty. Let the record show that there are no others. The first disbursement there is one issue that we need to bring to your attention before we start. There is some interest that needs to be contributed to the account. The map is all

right, but there was a delay in some payments and that interest has to be paid in. I think Board may be aware of that. We'd like to proceed if we could because the percentages are all correct and the disbursement can be made. I wanted to bring that to your attention. This is the only one where we've got that issue.

BILL HARRIS: Yes. I think we're---

MARK SWARTZ: Does that work?

BILL HARRIS: Yeah, we're fine. Thank you.

MARK SWARTZ: Okay.

BILL HARRIS: Go ahead and proceed.

MARK SWARTZ: I need to have Anita put under oath then.

(Anita Duty is duly sworn.)

ANITA DUTY

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. Anita Duty.

Q. Who do you work for?

A. CNX Gas Company.

Q. And what do you do for CNX that pertains to this petition?

A. I make sure that the escrow accounts are properly accredited.

Q. And this a request for a disbursement, right?

A. Uh-huh.

Q. And is the reason for the request that some of the people in this unit have split agreements?

A. Yes.

Q. Is this a 50/50 agreement in this case?

A. Yes.

Q. Is the agreement in writing?

A. Yes.

Q. And have you actually reviewed it?

A. Yes.

Q. Have you prepared a chart that shows the Board what is it you're seeking to have distributed from unit V-36?

A. Yes.

Q. And is that...was that attached to the original application?

A. Yes.

Q. Okay. And what...what tracts are affected

here?

A. Tract 4A, 4D and 4E.

Q. Okay. And what did you do to compare your records to the bank's records?

A. I got the information from the check amounts that were sent in and the ledger sheets from Wachovia saying that they actually received the payment.

Q. Okay. And when you compared what you believed you sent into what Wachovia showed as received, how did that compare?

A. Everything was in balance.

Q. Okay. And this accounting that you've provided is as of a particular date, is it not?

A. Yes. This one is February the 28th.

Q. Okay. And so the dollar amounts would be as of that date?

A. Yes.

Q. Obviously, the dollar amounts currently would be greater?

A. Yes.

Q. What...what are you asking that the Board use a basis to make the disbursements when they're made, percentages or dollars?

A. Percentage.

Q. Okay. With regard to 4A, what would the percentages be?

A. 24.1845% for Hurt McGuire Land Trust and 24.1845% for CNX Gas Company.

Q. With regard to Tract 4D?

A. 1.7407 for Hurt McGuire Land Trust and the same for Consolidation Coal Company.

Q. And then lastly with regard to Tract 4E, what the percentage be?

A. 0.3769% for both Hurt McGuire Land Trust and (inaudible).

Q. And have you submitted revised exhibits to reflect this change?

A. There's no change on this one.

Q. Well..okay. There's---

A. These were included in the application.

Q. These were included in the original application, okay. The...are you also asking that if the Board approves this disbursement that the operator be allowed to pay the parties in these three tracts that the disbursements are being made to directly and to avoid escrowing further funds directed toward them?

A. Yes.

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

this one.

BILL HARRIS: Questions from members of the Board?

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes.

BOB WILSON: Maybe just for the record, you could elaborate a little bit on the additional interest that has to be put in and such. The fact that this will be...the disbursement will not go through until this additional interest is added in, is that correct?

MARK SWARTZ: Anita, is there an additional interest payment that needs to be tendered to Wachovia?

ANITA DUTY: Yes.

MARK SWARTZ: And, roughly, when would you expect that to occur?

ANITA DUTY: Within the next two weeks, we're going to get a commit.

MARK SWARTZ: Okay. When...would it be your recommendation to the Board that they delay making a disbursement until that interest arrives?

ANITA DUTY: Yes.

MARK SWARTZ: And I assume you'll let Mr. Wilson know so that he can process the order?

ANITA DUTY: Yes.

MARK SWARTZ: Okay.

BILL HARRIS: Do you have any idea when that might be?

MARK SWARTZ: She just indicated possibly two weeks.

BILL HARRIS: Two weeks? Okay, yeah. At some point...yeah.

MARK SWARTZ: I'm sorry. It's okay.

BILL HARRIS: Thank you. Anything?

(No audible response.)

BILL HARRIS: Do you have anything further?

MARK SWARTZ: No, I do not.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Okay. It has been moved and seconded. All in favor, say I.

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

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you.

KATIE DYE: I abstain.

BILL HARRIS: One abstention, Mrs. Dye. The next project is a...the next item is a petition from CNX Gas Company, LLC for disbursement of funds from escrow and

authorization for direct payment of royalties on Tract 2A and 2B, unit X-35, Garden District, Buchanan County, Virginia. The docket number for that is VGOB-98-0324-0636-01. All persons who wishes to speak, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty again.

BILL HARRIS: Thank you. Let the record show that there are no others. You may proceed.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, would you state your name again for us?

A. Anita Duty.

Q. Who do you work for?

A. CNX Gas Company.

Q. And with regard to this particular petition, what is it that your job responsibilities entail?

A. To make sure that all of the payments that we sent in to the escrow account are properly accredited.

Q. Okay. In that regard, what documents did you review to determine whether or not the escrow balance or how...to determine how the escrow balance compared to the

revenue payment balance?

A. By comparing the check amounts that we had sent in with the bank ledger information.

Q. And when you did that, what did you determine?

A. Everything was in balance.

Q. Okay. When you initially filed this you had it for Tracts 2A and 2B, is that correct?

A. Yes.

Q. And now I notice in the exhibit page that you passed out to the Board we're only talking about 2B, is that correct?

A. Yes.

Q. And why is that?

A. When I was looking over the account, I realized that Tract 2A has been on pay from the very beginning of production. So, it actually doesn't need to be included at the disbursement.

Q. The money never made to escrow---?

A. Right.

Q. ---because it directly paid?

A. Right.

Q. Okay. With regard to Tract 2B, is the request for disbursement because these folks have reached a

split agreement?

A. Yes.

Q. Is it a 50/50 agreement?

A. Yes.

Q. Is it in writing?

A. Yes.

Q. Have you reviewed it?

A. Yes.

Q. The date for the dollar amounts on this particular exhibit is of what date?

A. May the 30th.

Q. And, obviously, some time has passed since then and it would be reasonable to assume that there's more money involved?

A. Yes.

Q. When the Board makes a disbursement or directs the escrow agent make a disbursement, are you recommending that the percentages that you've reported be used or the dollars?

A. The percent of escrow.

Q. Okay. And what percentages should be used?

A. 3.4364% for Hurt McGuire Land Trust and Daisy Burke for Tract 2B.

Q. Okay. So, it would be the same percentage

for each?

A. Yes.

Q. And in the event that the Board authorizes this disbursement, are you also requesting that the Board allow the operator to pay these people directly in the future so that their money doesn't go into escrow in the future?

A. Yes.

MARK SWARTZ: Mr. Chairman, that's all I have on this one.

BILL HARRIS: Any questions from members of the Board?

(No audible response.)

BILL HARRIS: Anything else, Mr. Swartz?

MARK SWARTZ: Not on this one.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Second, okay. All in favor, say I.

(All members signify by saying I, except Katie Dye.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you.

KATIE DYE: Abstain.

BILL HARRIS: One abstention, Mrs. Dye. Thank you. The next item, a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payments of royalties on Tract 1B, 1E, a portion of 1G and 1H, unit W-35, Garden District, Buchanan County, Virginia, docket number VGOB-98-0324-0627-05.

MARK SWARTZ: We would ask that this one be continued again. The reason is that there was a prior order directing a disbursement and it hasn't occurred yet and we need to wait for that to happen, otherwise, the percentages will be applied to the wrong number. I think Mr. Wilson can probably confirm that.

BOB WILSON: Yes, sir.

BILL HARRIS: It will be continued.

MARK SWARTZ: So, let's try for July and see what happens.

BILL HARRIS: That's item four. It will be continued.

SHARON PIGEON: Until August.

MARK SWARTZ: For August. I'm sorry, it is July. Let's try...yeah. Time flies. Okay, August, good. Thanks.

BILL HARRIS: Okay. The next petition is from CNX Gas Company, LLC for disbursement of funds from escrow and

authorization for direct payments of royalties on Tract 1A and 1B, unit X-36, Garden District, Buchanan County, Virginia. The docket number VGOB-98-0324-0628-01. It was continued from June also. We'd like for everyone who wishes to speak to that project would come forward.

MARK SWARTZ: Mark Swartz and Anita Duty again.

BILL HARRIS: Thank you. Let the record show that there are no others. Okay, you may proceed.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, would you state your name for us again?

A. Anita Duty.

Q. Who do you work for?

A. CNX Gas Company.

Q. And what do you do for them in relation to this petition?

A. Make sure that all of the payments that are sent out are accredited to the account.

Q. Okay. And what...what documents did you review to make that determination with regard to X-36?

A. I reviewed our check detail and compared it

to the bank's ledger sheets and all of the...everything is in balance.

Q. Okay. Have you prepared an exhibit for the Board to show the amounts and percentages and the people that you're asking for disbursements?

A. Yes.

Q. And that is...and that exhibit is as of what date?

A. May the 30th...oh, yeah, May the 30th.

Q. And if we were to do it as of today, would the dollar amounts in all probability be larger?

A. Yes.

Q. Okay. Because there would have been subsequent payments?

A. Yes.

Q. When the disbursement is made, if it is made, are you requesting that the percentages be used?

A. Yes.

Q. And what tracts are you asking for disbursements?

A. Tract 1A and 1B.

Q. And what people and what percentages in each of those tracts?

A. For Tract 1A, Hurt McGuire Land Trust

10.9831% and Consolidation Coal Company 10.9831%. For Tract 1B, both Hurt McGuire Land Trust and Daisy Burke 4.4195% each.

Q. And are you also asking that the Board, if the disbursement is approved and made, allow the operator to pay Hurt McGuire, Consolidation Coal and Daisy Burke directly in accordance with their agreement?

A. Yes.

Q. And is the split agreement here a 50/50 agreement?

A. Yes.

Q. Is it in writing?

A. Yes.

Q. And have you actually reviewed the written agreement?

A. Yes.

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

BILL HARRIS: Any questions from Board members?

(No audible response.)

BILL HARRIS: The Exhibit A is this a replacement for an Exhibit A that was present earlier or is this in addition to what we have?

ANITA DUTY: I didn't include one in the original application. So, it's---

BILL HARRIS: It was not included? Okay.

ANITA DUTY: No. So, it's the one.

BILL HARRIS: Okay. We just wanted to make sure.

MARK SWARTZ: That's okay.

BILL HARRIS: Any other questions?

(No audible response.)

BILL HARRIS: Do you have anything further?

MARK SWARTZ: No, I do not, Mr. Chairman.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: It has been moved and seconded...
second. All in favor, say yes.

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

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: The Is have it or yes.

KATIE DYE: Abstain.

BILL HARRIS: One abstention, Mrs. Dye. Thank
you. The next item is a petition from CNX Gas Company, LLC
for disbursement of funds from escrow and authorization for
direct payments of royalties for Tract 1C and 1I, I believe
this is, unit W-36, Garden District, Buchanan County,

Virginia, docket number VGOB-98-0324-0629-02. This is continued from June. We'd ask everyone who wishes to speak to this item to please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BILL HARRIS: Let the record...are you coming to this?

SARA DAY: Yes.

BILL HARRIS: Oh, okay.

SARA DAY: Is this (inaudible) Skeens?

BILL HARRIS: Now, I don't know names, you know.

MARK SWARTZ: Daisy Burke would be the only person.

BILL HARRIS: Daisy Burke is the only one for this particular item.

SARA DAY: Oh, okay. That's just for the Burke?

BILL HARRIS: This is what I understand, yes.

MARK SWARTZ: If you look at Exhibit A, it has got kind of the lineup there. Daisy Burke is the only individual.

BILL HARRIS: Yes, the Daisy Burke is the only person listed for this particular item.

SARA DAY: Well, the reason I wanted to talk---

COURT REPORTER: You need to come down here.

SARA DAY: ---is I never got no papers on this. I

inherited the property.

BILL HARRIS: If you will come down. If you could grab a seat there. If you could state your name for the record, please.

SARA DAY: I'm Sara Day. I've never got papers on this. It was from my grandfather.

BILL HARRIS: Let's get you sworn in.

SARA DAY: Okay.

(Sara Day is duly sworn.)

BILL HARRIS: Thank you. You can go ahead and continue this.

SARA DAY: It concerned by grandfather, O. H. Keen. I've never got no papers on it. So, I need to know why.

BILL HARRIS: We'll let them address that.

(Mark Swartz and Anita Duty confer.)

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, you're still under oath, okay. You need to state your name.

A. Anita Duty.

Q. Who do you work for?

A. CNX Gas Company.

Q. Does...is there an interest in this particular unit that this woman has by virtue of her heirs?

A. Not in unit W-36.

Q. Okay. Is there a unit on the docket today where she has an interest?

A. In, yes, W-35.

Q. Okay. Is the reason that she was not given notice is because she's not getting a disbursement---?

A. Right. Yes.

Q. ---because there's no split agreement, right?

A. Yes.

SHARON PIGEON: Is it the one that we just continued? Is that what you're saying?

ANITA DUTY: Yeah. She has an interest in that one. But she doesn't have a royalty split. So, that's why she doesn't get copies of this.

SHARON PIGEON: All right.

SARA DAY: Well, I've never got a copy of anything. I just learned by...through the family. But I've never got a copy of anything.

BILL HARRIS: I'm not sure---.

(Bill Harris and Sharon Pigeon confer.)

BILL HARRIS: We probably need to let you talk to Bob Wilson. I guess that's the best thing to do. Bob, is there an appropriate time that she could do that?

BOB WILSON: Actually, anytime you can catch me the office. I'll be in all...after we finish the hearing today, I'll be in the office all afternoon. But I think I can tell you that there are a number O. H. Keen Heirs who have not signed split agreements apparently because we hear from them periodically. None of them would have gotten notification of the disbursement procedure unless it involved them and unless they had a split agreement signed. In order to get into that process, you would have to contact your conflicting owners and get involved with the split agreement and it would have to come back to the Board under a different application.

BILL HARRIS: Basically, what he's saying is the group that you're in would have to agree to split the royalty and there would have to be a written agreement signed by everyone agreeing to what percentage of that amount---

SARA DAY: Well, I understand some of them has already been paid.

BOB WILSON: That's true.

BILL HARRIS: Well, they probably have an agreement of some type, again we call it a split agreement,

where they're authorizing the payment of their percentages.

BOB WILSON: If you...excuse me, Mr. Chairman.

BILL HARRIS: Yes.

BOB WILSON: Ma'am, if you could come by the office late this afternoon possibly or call me at the office, I'll be glad to explain the situation to you on that insofar as the Board is concerned.

SARA DAY: Oh, okay. I just need to know what's going on, which I've not had a chance to be in a split agreement because I don't know...I've never got no papers on it at all. So, I come and see you and then see---?

BOB WILSON: Yes, ma'am.

SARA DAY: ---where to go from there?

BOB WILSON: Yes, ma'am.

SARA DAY: Oh, okay.

BILL HARRIS: Yeah, that's the best thing to do.

Yeah.

SARA DAY: Thank you.

SHARON PIGEON: And, ma'am, the case you are trying to participate in has been continued until the next docket... next month anyway. It's not this one, okay.

SARA DAY: Oh, okay.

SHARON PIGEON: All right?

SARA DAY: Well, I understood it was today.

SHARON PIGEON: It was and we just continued it.
So, it will be in August.

MARK SWARTZ: And if you will step out and talk to
this guy, because we don't have any problem talking to you
either, maybe you can save a trip to Mr. Wilson's office.

SHARON PIGEON: What was her name, again?

COURT REPORTER: Sara Day.

MARK SWARTZ: Sara Day.

SHARON PIGEON: Sara Day. All right, thank you.

BILL HARRIS: Okay, thank you. We'll continue on
then with the current item.

ANITA DUTY

DIRECT EXAMINATION CONTINUES

QUESTIONS BY MR. SWARTZ:

Q. On W-35, Anita, what did---?

BILL HARRIS: No, this 36, right?

SHARON PIGEON: No, 36.

MARK SWARTZ: W-36. I'm sorry, W-36.

BILL HARRIS: Okay.

MARK SWARTZ: Okay, I got that out temporarily.

Q. Okay, on W-36...let's just start over to
make sure we got everything. You work for Consol, right?

A. CNX.

Q. Or CNX. And...you used to work for Consol,
right?

A. Yeah.

Q. And with regard to W-36, what...what work
or documents did you review?

A. I compared our payments that we had sent in
to the escrow account with the ledger sheets and everything
is in balance.

Q. Okay. And the ledger sheets would come
from the bank?

A. Yes.

Q. And the payments would come from the
company that processes royalty payments?

A. Yes.

Q. Okay. Did you also review a royalty split
agreement?

A. Yes.

Q. Was it a written agreement?

A. Yes.

Q. And was it a 50/50 agreement or some other
kind?

A. 50/50.

Q. And have you done an Exhibit A for the
Board with regard to W-36?

A. Yes.

Q. And what tracts are you showing as tracts from which disbursements can be made?

A. 1C and 1I.

Q. And what is the date that this is accurate as of in terms of the dollar amounts?

A. May the 30th.

Q. And if we did an update would the dollar amounts in all likelihood be larger today?

A. Yes.

Q. If and when the Board authorizes the escrow agent to make a disbursement, are you requesting that the percentages that you're reporting be used?

A. Yes.

Q. Okay. And what are the tracts and percentages and the people with regard to these disbursements?

A. For Tract 1C, Hurt McGuire Land Trust should be paid 23.9016% and Consolidation Coal Company 23.9016%. Tract 1I, Hurt McGuire Land Trust 6.4852% and Daisy Burke 6.4852%.

Q. And are you requesting that if and when these disbursements are made that after that the operator by the Board's order be allowed to pay these people directly?

A. Yes.

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

BILL HARRIS: Any questions from members of the Board?

(No audible response.)

BILL HARRIS: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BILL HARRIS: Do we hear a motion?

MARY QUILLEN: Motion.

BRUCE PRATHER: Second.

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: All opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you.

KATIE DYE: I abstain.

BILL HARRIS: One abstention, Mrs. Dye. The next item, we have a petition from Hard Rock Exploration, Inc. for repooling of conventional gas unit HRVAE #10, North Grundy District, Buchanan County, Virginia. The docket number is VGOB-05-0419-1441-01. This is continued from June. We'd like all persons who wish to speak to this item

to come forward.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser and Jim Stephens on behalf of Hard Rock Exploration.

BILL HARRIS: Let the record show there are no others.

(Jim Stephen is duly sworn.)

JIM KAISER: I have some revised exhibits I need to pass out before we get started here.

(Jim Kaiser passes out revised exhibits.)

JIM KAISER: This is a well that was pooled back in April of 2005 and it has been drilled, I guess, for some time now.

JIM STEPHENS: About a year and a half.

JIM KAISER: About a year and a half. And...when we did the final plat, it was brought to our attention that the western boundary of the unit...I don't know if yours has got color on it. The western boundary of the unit included a portion of a previously established 640 acre unit that had certain...included in the lease and the agreements related to that lease, there were certain provisions that provided for just one well being in that 640 acre unit and we have a...when we original pooled it, we did not pick that...part of that 640 acre unit and because of that we missed both Eastern American Energy as a...this would all be in Tract 2,

as a sub-lessee and CNX Gas as a lessee. So, we're just back today to add them to the pooling as to 14.19% of the unit. In other words, they'll have election rights and participatory rights as to 14.19% of the unit. That's the only thing that's different.

BILL HARRIS: Okay. Questions from Board members?

BOB WILSON: Mr. Chairman.

BILL HARRIS: Mr. Wilson.

BOB WILSON: For the record and for the preparation of the order, I would prefer that you go through the process of the testimony on this.

BILL HARRIS: Let's do that then.

JIM KAISER: Okay.

JIM STEPHENS

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Hard Rock Exploration. I'm the president of Hard Rock.

Q. Do your responsibilities include the land

involved here and in the surrounding area?

A. Yes, it does.

Q. Are you familiar with the application that was filed seeking to establish a drilling unit and...well, actually, we weren't establishing a unit because this is Pilgrims Knob well, right? So, we were just pooling any unleased interest within that unit?

A. Yes.

Q. Okay. And does Hard Rock own drilling rights within the unit?

A. Yes.

Q. And prior to the filing of the application, were efforts made to contact each of the interest owners within the unit and an attempt made to lease each of them?

A. Outside of the gas...outside of the unit that we did not recognize.

Q. Right. And what is the interest under lease to Hard Rock within the unit?

A. 64.54%.

Q. And the percentage of the unit that remains unleased?

A. 35.46%.

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

A. Yes.

Q. Okay. And there is no unknown or unlocateable interest owners within the unit, correct?

A. Correct.

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

A. Yes.

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

A. Yes.

Q. Are you requesting this Board to repool all the 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.

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

A. A five dollar bonus, five year term and one-eighth royalty.

Q. And did you gain your familiarity with

these terms by acquiring oil and gas leases and other agreements involving the transfer of drilling rights in the unit involved here and in the surrounding area?

A. Yes.

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

A. Yes.

Q. Okay. Now, as to those respondents who remain unleased, do you agree that they be allowed the...well, wait a minute.

JIM KAISER: We're not going to give them a second election option. They've been pooled once. We're just bringing in these parties that weren't pooled the first time. So, I don't need to do that, right?

BOB WILSON: If I understand your question, normally on a repooling you're only dealing with the folks that you're bringing in this time and not---.

JIM KAISER: Right

BOB WILSON: ---the ones that you're already pooled and offered elections to them.

JIM KAISER: Okay.

Q. The Board does not need to create an escrow

account for this well, is that correct?

A. No.

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

A. Hard Rock Exploration.

Q. And the total depth of this well?

A. 5400 feet.

Q. The estimated reserves for the unit?

A. 300 million.

Q. And an AFE was signed...reviewed, signed and submitted to the Board with the original application?

A. Yes.

Q. And the completed well costs are approximately \$414,369?

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.

BILL HARRIS: Any questions from Board members?

BRUCE PRATHER: Mr. Chairman.

BILL HARRIS: Yes, Mr. Prather.

BRUCE PRATHER: Is this well producing? It has been drilled for a year and a half. Is it on production?

JIM STEPHENS: No, it has not produced.

BILL HARRIS: Anything further?

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

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Fine. Thank you. The motion passed.

Thank you, Mr. Kaiser and Mr. Stephens. Our next item is a petition from Equitable Production Company for creation and pooling of conventional gas unit P-550485, Sandlick District, Dickenson County, Virginia, docket number VGOB-07-0619-1954. This was continued from June. Would all persons who wish to speak to this project please come forward?

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

BILL HARRIS: I think there are some others. If you all would...do you need a...okay.

JIM KAISER: This item was continued from the June docket at the Board's request to try to work with these folks. I can't remember whether we went through...did we go through the testimony for the force pooling?

BILL HARRIS: I---.

MARY QUILLEN: No.

JIM KAISER: We did not? Even if we did...even if we did, we're going to do it again.

BILL HARRIS: Yeah. There were a lot of projects last month. It's hard to tell. Okay, would the folks who just joined us introduce yourselves, please?

KILBY JOE EDWARDS: I'm Kilby Joe Edwards, Sr.

GLADYS COUNTS: Gladys Counts.

JUANITA SNEEUWJAGT: Juanita Sneeuwjagt.

BILL HARRIS: Okay, now, we'll wait and let him make the presentation and then we'll give you an opportunity to speak.

KILBY JOE EDWARDS: Yeah. I'm hard of hearing, so you all are going to have to speak up. I can't hear half of what any of you are saying.

BILL HARRIS: We'd like to get you sworn in also.

(Don Hall, Gladys Counts, Kilby Joe Edwards, Sr.

and Juanita Sneeuwjagt are duly sworn.)

BILL HARRIS: Okay. Go ahead and continue.

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

A. They do.

Q. Are you familiar with Equitable's application seeking to establish a unit and pool any unleased interest within that unit which was dated May the 18th, 2007?

A. Yes.

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

A. We do.

Q. Prior to the filing of the application and

since the June hearing, have you continued to make efforts to attempt to attempt to work out a voluntary lease agreement with all the interest within the unit?

A. Yes.

Q. And what's the interest under lease to Equitable at this time?

A. We have 81.32771564% leased.

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

A. Yes.

Q. So, the percentage of the unit that remains unleased is 18.67228608%?

A. That's correct.

Q. We do have some unknown and unlocatables in this unit, is that correct?

A. Yes.

Q. Were reasonable and diligent efforts made and sources checked to attempt to identify and locate these unknown heirs including primary sources such as deed records, probate records, assessors records, treasurers records and secondary sources such as telephone directories, city directories, family and friends?

A. Yes.

Q. In your professional opinion, was due

diligence exercised to locate each of the respondents named herein?

A. Yes.

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

A. Yes.

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

A. 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. Did you gain your familiarity by acquiring oil and gas leases, coalbed methane leases and other agreements involving the transfer of drilling rights in the unit involved here and in the surrounding area?

A. Yes.

Q. So, those are the terms that everybody that

has a...who has a executed a voluntary lease within this unit, those are the terms that they are subjected to?

A. Yes.

Q. Okay. Now, as to those respondents listed at B-3 who remain unleased, do you agree that they be allowed the following options with respect to their ownership interest: 1) Participation; 2) a cash bonus of five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his or her interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to his or her interest equal, A) 300% of the share of such costs applicable to the interest of the carried operator of a leased tract or portion thereof; or B) 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that the order provide

that elections by the respondents be in writing and sent to the applicant at Equitable Production Company, Land Administration, P. O. Box 23536, Pittsburgh, Pennsylvania 15222, Attention: Nicole Atkinson?

A. Yes.

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 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 their proportionate share of actual well costs?

A. Yes.

Q. Does the applicant expect the 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 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 that election should be treated as 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 cash sum being owed to that respondent be paid by the applicant within 60 days after the last date on which that respondent could have paid those costs?

A. Yes.

Q. In this particular case, the Board does need to establish an escrow account for some of the unknown and unlocateables. I believe that would cover proceeds from Tract 13---.

A. 13.

Q. Just Tract 13, correct?

A. That's correct.

Q. 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 5563 feet.

Q. And the estimated reserves for the unit?

A. 450 million cubic feet.

Q. Are you familiar with the well costs for this particular 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 for the Board both the dry hole costs and completed well costs for this well?

A. The dry hole costs for this well is \$234,935 and the completed well costs is \$449,260.

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 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.

BILL HARRIS: Questions from Board members?

MARY QUILLEN: Mr. Chair.

BILL HARRIS: Yes, Mrs. Quillen.

MARY QUILLEN: Could you repeat the depth of the well again? I'm sorry.

DON HALL: It's 563...5,563 feet.

MARY QUILLEN: Thank you.

BILL HARRIS: Other questions?

(No audible response.)

BILL HARRIS: Now, we have some folks that want to, I guess, address the project and if you would state your

name since we can't distinguish on tape who's speaking. But if you would, state your name before you make a statement.

KILBY JOE EDWARDS: I'm Joe Edwards. I have written down a few comments and questions that I have pertaining to this. I have never gone through any of this before. I have never met with the Board. So, I'm very unfamiliar with it. There's just a lot of unanswered questions that me and my family have on this type of operation. So---

BILL HARRIS: Yeah, just go ahead and ask---

KILBY JOE EDWARDS: ---if I don't ask the right question or say something out of line, please tell me.

BILL HARRIS: Well, we'll...go ahead and we'll hear your questions and see what---

KILBY JOE EDWARDS: Okay. Well, first of all I live at 5135 Backbone Ridge Road, Clincho, Virginia. It's approximately 725 foot from where this well is going to be drilled. We're very much opposed to the pooling of our gas and oil rights. I was born and raised on the property and became the legal owner by deed of the old home place about three years ago and adjoining tract. Both of them containing approximately five acres of land. I'm in the process of completely remodeling the house and living there at least six months out of the year. I've already spent

probably sixty thousand on the place and probably spend another twenty or twenty-five thousand before I complete it. We have county water to the property, but our source of water supply has always been a spring, which is approximately 400 to 450 foot from this well. We're still using the spring today. When something happens to the county that...you know, and it's so bad that you can't drink it. So, we still use the spring. That's one of our objections. That it will probably sink the water or the spring or contaminate it and make it unuseable.

There's several questions as to what right the landowner has for protecting his property that he has worked and paid for all of his life. If the land owner does not want to sell the rights to a billion dollar oil and gas company and receive only pennies for what he's going to get, the Board should not force us to give our rights away. The oil and gas price is maybe a hundred times of what they are ten years from now. We own the gas and oil. Let us decide when we want to sell it.

I thought our state law makers in Richmond passed a law last year pertaining to the taking of a private citizens property and giving it to another private citizen or company for their personal gain or profit. This gas and oil is our property, worked and paid for and it's

unconstitutional to give it to a billion dollar corporation for only pennies. What percentage or how many of these pooling requests are denied by this Board? Does the Board suppose to represent the private citizen in their request or only the billion dollar gas companies? How are all of the oil and...how are all the oil and gas that is pumped out checked to see if it's actually the amount that's coming out? All of the regulations that are on the laws, who check those to see if they're actually done by this gas and oil company? I...there's thousands of laws on the Board...on the docket. I don't see how anyone could check it all. How does a private citizen know that he's getting for what he...for what he really is supposed to be? The prisons are full of supposedly once honest people. Have you heard of the fox watching the chicken house? The Board was appointed by the governor to make important decisions for the gas and oil people and for the private citizen that don't have billions of dollars that they can spend on lawyers and Court defenses and decisions. You operate as a Board, but you're also private citizens and I don't think you would want someone else giving your property away. The law is supposed to protect the private citizen through the Constitution of the United States. We should not be a rubber stamp for gas companies. Most of the laws that I have read and seen don't

let these local county, the EPA or other government agencies have any control over what the gas companies can or cannot do, only this Board. So, if I were a business man, I would have twenty-five agencies looking down my shirt collar everyday regulating and tell me what to do. But it seems that this Board is mostly the regulators of the gas companies. How many more hearings will there be before the drilling is actual done? Will other wells be allowed in this same area without hearings? If we see anything going on around these wells that looks suspicious can we report it and who do we report it to and how do we know that the decision is checked into and can we get the results of this decision?

Does the Commonwealth consider the gas and oil theirs or is it the private citizens? It seems like all of the laws are written like they own it and they can give it away anytime they want to. The state code has hundreds of laws on reports and activities that go on daily, weekly, monthly and yearly at each well and there is as many as eleven to twelve thousand wells in here now. The Director must receive each report and make a decision on each one of these reports and request from several oil and gas companies that's all over the area. It appears that there are hundreds of decisions to be checked out in the field and in the office and it

doesn't seem that one man, which most of it is left to the Director, can take care of all of these problems. He has to have...he would have to have dozens of people working every day to check all of these problems and reports that come in. It doesn't seem like he could find time enough to make a good decision on all of these. All of these reports actually don't get to the Board. I'm sure there are hundreds of problems that the Board never hears about, most of them are illegal. Can a private citizen get these reports on productions and what angle the well is drilled at and if the drilling and gas only comes from the property that they're supposed to be? Who checks that out? How do you check it out? It's an unknown question. I asked Mr. Hall this question, you know. It might come for another half a mile on somebody else's property, you know. As I said, no one...if they report that the well is going at two degrees, who goes out in the field and checks that well that goes two degrees? They could put five degrees. You would never know unless you go check it. All of these things just doesn't seem to work out. Can we get the...can get decisions made by this Board on these wells or by the Director...or by the Director on decisions that the gas people submit to him if requested? I think all of the information on decisions made by a public committee must be

furnished upon the request to the public and in a timely manner.

They've already applied...we've already got the papers for a new well permit...for a well permit to be drilled. Well, it seems to me like these hearings doesn't mean a thing. If they already know that this committee or someone has told the company that they're going to get this pooling no matter what, that sounds like talk under the table. I think that's illegal.

BILL HARRIS: Sir, let me...do you have some other items? I know...you're making comments personal. I mean...you know, comments that are...that pertain to the law---

KILBY JOE EDWARDS: That need to be answered.

BILL HARRIS: Well, they need to be answered. But, I mean, some of these are accusation that I'm not sure how founded they are.

KILBY JOE EDWARDS: Well, I'm not accusing anybody.

BILL HARRIS: Yeah. Okay, it's just...Mr. Wilson...do you have other item...I see you have a whole stack there. But---

KILBY JOE EDWARDS: I just...just a couple more comment...just about another...a short paragraph.

BILL HARRIS: Yeah, let me do that...I do have a couple of comments. Yeah, okay.

KILBY JOE EDWARDS: My request to you is do not give the billion dollar gas companies a rubber stamp on every request that they make. Sometimes a private citizen is right. Do not pool our gas and oil. But if your decision is against us as private citizens, I'm requesting that you make the gas company to pay for our gas and oil and no less than 50% royalties on every ounce of gas and oil they take from us. That's all I have. Thank you.

BILL HARRIS: Yeah, thank you for your comments. Let me just make a...just a couple of comments.

KILBY JOE EDWARDS: Yes, sir.

BILL HARRIS: First of all, a lot of this is out of our control as a Board. The regulation from the state says that the state will promote the development and production of natural a coalbed methane gas. So, this is something that the---

KILBY JOE EDWARDS: In other words---

BILL HARRIS: ---legislatures decided that we will produce this. The Board is established primarily to oversee the regulation, not necessarily the development, but what it does is it will make sure that there is an orderly development and this is why we have all of the...you know,

when we talk about the different areas that we are drilling in, that's determined...I'm sorry, the Board oversees to make sure that that is orderly. That the paperwork is in place and what not. Now, what happens though is that if everything is satisfactory in terms of what they required to do in terms of pooling or in terms of drilling or whatever, but we don't have a choice but to approve those. Now---

KILBY JOE EDWARDS: Is the law...excuse me, sir.

BILL HARRIS: Yes.

KILBY JOE EDWARDS: Does the law say that you have to approve this pooling?

BILL HARRIS: Oh, no, it doesn't.

KILBY JOE EDWARDS: Okay. That's what we're saying.

BILL HARRIS: But it says that we cannot deny it if everything is in order is the problem.

KILBY JOE EDWARDS: You can't deny it.

BRUCE PRATHER: It's based on conservation.

KILBY JOE EDWARDS: Huh?

BRUCE PRATHER: It's based on conservation of the mineral. In other words, if you've got a 180 acre space, everybody is in this 180. If you're left out of the thing, your interest doesn't go into the 180 acres, then you drained and you're not paid any money at all. So, all of

this is based on conservation.

KILBY JOE EDWARDS: Like I asked Mr. Hall, why can't you move the well? Why can't you request him to move the well away from our property? You can do that, can't you, you know?

BILL HARRIS: Where are we---?

KILBY JOE EDWARDS: I mean---.

BRUCE PRATHER: That's his prerogative It's not ours.

BILL HARRIS: Yeah.

KILBY JOE EDWARDS: I mean, you...you all have the control over what they can do and can't do though supposedly.

BILL HARRIS: Well, within the law we do. I mean, if there's---

KILBY JOE EDWARDS: Yeah, within the law.

BILL HARRIS: One other...there's...about the migration of the gas, yeah, it does move underground. That's something that everyone is aware of. That's one of the reasons why these are laid out in a pattern to include as many people as possible. There are circles in this particular one because of the conventional gas. But other times you'll find squares or whatever. The object there is to make sure that everyone is compensated. Now, you talked

about 50% royalties or whatever. Historically, my question has always been for years when they always talk about one-eighth royalty why one-eighth?

KILBY JOE EDWARDS: Yeah, why---?

BILL HARRIS: This has been this way every since the beginning---.

KILBY JOE EDWARDS: But it's not the law.

BILL HARRIS: No, it's not the law.

KILBY JOE EDWARDS: You can decide 50% if you want to.

BILL HARRIS: If you can negotiate with the company to get that, yes.

KILBY JOE EDWARDS: And the only way we can negotiate with Mr. Hall is if we sign a lease and we're not signing a lease.

BILL HARRIS: Well---.

KILBY JOE EDWARDS: And then he has us anyway he wants to go. He can put lines all across our property. He can build roads all across our property. He can drill wells every 500 foot if the Board okays it and I'm sure the Board usually okays it.

BILL HARRIS: Well, no, there are some restrictions. Can we---?

DON HALL: I think I explained...we met last week

and I explained to them that there would be nothing on the property. If it's force pooled, we're not allowed to put anything on the property. I offered them a non-surface use lease, which means that we would not put anything on the property. So, there's no plans for anything to be on the property.

BILL HARRIS: Yeah, he said that his property was, what 700...I guess, the house or whatever, the location, 750 feet from the well. What---?

KILBY JOE EDWARDS: According to their scale, if their scale is correct and I'm assuming it is, I measured it and it's approximately 750 foot from the well.

DON HALL: They own interest in Tracts 14, 17, 18, 19, 20, 21 and 22. You can see those on the plat.

BILL HARRIS: Yeah.

KILBY JOE EDWARDS: And you can see my little old house down there.

BILL HARRIS: Is it on 17?

KILBY JOE EDWARDS: It's on the sketch.

GLADYS COUNTS: On 17.

KILBY JOE EDWARDS: It shows a little long building which used to be my mother's mobile home, but it's torn down now. It's just a frame setting there. These graphs are several...ten years old or older. They're not up

to date.

BRUCE PRATHER: Could I ask a question?

BILL HARRIS: Yes.

BRUCE PRATHER: Don, how close can you drill within a...to a house or a residence?

DON HALL: State law says 200 feet.

BRUCE PRATHER: That's what I thought. The state law says 200 feet and there's 750 out there.

KILBY JOE EDWARDS: Who got the state laws passed? The gas companies.

BRUCE PRATHER: They don't run the legislature.

KILBY JOE EDWARDS: I know. I know. I'm not blaming you all.

BILL HARRIS: And a lot of your concerns, I think Mr. Wilson's office could probably handle. You were asking about who checks...a system of checks and balances, who checks the...I don't know if they actually go check the drilling angle. But the...I understand your concern, I mean, about that.

KILBY JOE EDWARDS: The codes...I've read several codes and it says these must be checked...you know, must be checked and then too the Director---

BILL HARRIS: Well, if---

KILBY JOE EDWARDS: ---and checked.

BILL HARRIS: Well, if it says that then I'm sure that's being done.

KILBY JOE EDWARDS: But there's no way he can check eleven or twelve thousand---

BILL HARRIS: Yes, Mr. Prather.

BRUCE PRATHER: When you're drilling one of these wells if you get the deviation out too far, you can't run the pipe. In other words, if you get out over fifteen degrees or so, you end up coming to the dog leg and you can't run the pipe. So, what they do about every 500 foot, the driller runs what they call (inaudible) and what it is you drop it down from the top at depth and it hits the (inaudible) and it tells you how far off true vertical you are. They do this all the way to the bottom hole. Then they end up with some readings that...I guess they give them to you don't they, Bob? So, there are steps taken because if they get that deviation out too far they can't even run pipe down in the ground. So, you know, they're not doing this to get a hole that goes out there fifty degrees. You can't get pipe in it.

KILBY JOE EDWARDS: Well, I'm not talking about fifty degrees. But by the time you change something five degrees and go a mile, you're pretty far over.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes, Mr. Wilson.

BOB WILSON: May I maybe try to short cut a bit of this.

BILL HARRIS: Yeah, we need to.

BOB WILSON: The vast majority of what is being discussed right now are permitting and enforcement issues. They are not Board issues. I would say that when the law and the regulation mentions the Director, that's merely a designation of authority. The Director, believe me, designates authority to other people to do these things. We have a fleet of inspectors in the field on a daily basis. They're responsible for being in the field twenty-four hours a day. They go out at all times of days and nights to check these operations to make sure they are being done within the law. The items that you're talking about insofar as permitting and insofar as distance from a property and that sort of thing are all permitting issues. The only thing that the Board is considering today and the only thing that is in the mandate of the Board to consider today is the pooling of this property. While I would defer to Mrs. Pigeon, the Attorney General's office, for the actual legal aspects of it, the law states that the Board will enter a pooling order. The reason for that is part of what Mr. Prather explained earlier. There are places in the country

where they could drill that well exactly where they have it proposed now and potentially drain your property and not have to include you in anything. The reason for these laws are to make sure that everyone who is likely to be drained by a well is taken care of and offered compensation or offered the ability to participate in the well and participate in the returns from it. It also prevents minority owners from preventing the majority from getting their estate, which is the gas. Again, the pooling order, if issued, does not give the company any rights to use any surface property. It does not give them the right to be on any surface property. It's merely the right to develop that gas, compensate you for it or allow you to participate in the well and receive your full value of that gas, which---

KILBY JOE EDWARDS: Well, you know, that anybody can't put out 200 or 300% of their costs, you know. There, again, out of that...you know, things---

BOB WILSON: Well, you're talking...you're talking about---

KILBY JOE EDWARDS: Costs gets padded.

BOB WILSON: You're talking...you're talking about items that have to be addressed at the legislative level. As long as the law stands as it is now, this is the way that the Board---

KILBY JOE EDWARDS: Well, as I've said, there's several laws and I've read most of them, you know. As I said, I know most of them. But I was trying to explain why we don't want the pooling. That's...you know, I mean, if it's cut and dried, why have the hearings? You know, if the Board has the right to give them the pooling because they already have 81% of it, why even have the hearings?

BILL HARRIS: Well, what we have to do is to make sure that everyone is fairly compensated now. I know you would disagree with the word "fairly".

KILBY JOE EDWARDS: Well, I'm asking for 50% and that would still be unfair to us, you know.

BILL HARRIS: I understand your point, but we have no control over that. I mean, we really don't.

KILBY JOE EDWARDS: You have---.

BILL HARRIS: No, we can not...because I asked years ago when I first started on the Board, why just one-eighth because it seemed like---?

KILBY JOE EDWARDS: Well, that's just set. I mean, the Board has the power---.

BILL HARRIS: Yeah, that has just been---.

KILBY JOE EDWARDS: ---to change that, I think.

BILL HARRIS: Well, I don't...I don't think we can.

KILBY JOE EDWARDS: I think they have.

BILL HARRIS: Well, anyway. Did you want to address any of the questions or comments?

KILBY JOE EDWARDS: Well, we'll get a...we'll get a ruling from the Attorney General's office.

SHARON PIGEON: I don't have the authority to give you rulings from the Attorney General's office. But, generally, what these gentlemen have already explained to you is correct. The law is a great advance over the rule of capture, which is what used to be the law when any operator could go out and drill and just simply suck in all they could reach from---.

KILBY JOE EDWARDS: Yeah, but that was probably when gas and oil was down to twenty-five cents a cubic foot---.

SHARON PIGEON: That's still the law in many places.

KILBY JOE EDWARDS: ---you know and not now.

SHARON PIGEON: The Virginia law was the model for the federal law. So, it's obviously one that is looked to as a pretty good example of how to do this. The focus is the state wants the resources developed. They're trying to develop the fairest way for the most people to do that. You three, obviously, are strongly opposed to it. Many of the

people who own assets in these resources have agreed to it.
So, your opposition---

KILBY JOE EDWARDS: Well, there are about
twelve...twelve of us that would disagree. They all
couldn't be here. They've got to work, you know. We're
retired, you know. Thank goodness.

SHARON PIGEON: And there are pages of people who
have agreed to it. So, in order to fair to the most people,
this law accomplishes that. You have the right to go to
your legislative representative and change that law. I
encourage you to do that if that's what you want. But this
law is what controls this Board.

KILBY JOE EDWARDS: We don't have a big enough
lobbyist, you know, to get the law changed.

SHARON PIGEON: Well, this Board has to operate
under law as it is.

JUANITA SNEEUWJAGT: Okay, I'll go next. We're
not finished.

KILBY JOE EDWARDS: Thank you very much.

BILL HARRIS: Thank you for your comments.

KILBY JOE EDWARDS: There is one question that I
would like answered.

BILL HARRIS: Yes?

KILBY JOE EDWARDS: On all of these reports of

where they...you get from these, can we get them?

BILL HARRIS: Mr. Wilson, he's asking about the availability of reports. I'm not sure of the nature of the reports you're asking.

KILBY JOE EDWARDS: Well, you know, it would be specific. I wouldn't say give me all of your reports. You know, it would be specific things.

BOB WILSON: With the exception of a short period of time for certain proprietary information that belongs to the companies, everything that is submitted to the state is public information and is available to the public. That includes the vast majority of everything that is reported to us. Some reports are held confidential for a short period of time under the law.

KILBY JOE EDWARDS: Such as production?

BOB WILSON: Production information is public information. Permitting information is all public information. Anything of that sort is open to the public at any time.

KILBY JOE EDWARDS: So, we make that request to you?

BOB WILSON: Yes, sir.

GLADYS COUNTS: We want to request a transcript... transcript---.

BOB WILSON: Well, let's do...let's do that in a different venue.

GLADYS COUNTS: Okay.

JUANITA SNEEUWJAGT: Okay. I'll go next. I took some information from the Virginia---

BILL HARRIS: State your name, please. I'm sorry.

JUANITA SNEEUWJAGT: I'm Juanita Sneeuwjagt still under oath, swear to tell the truth, the whole truth and nothing but the truth so help me God. I took this from the Virginia's constitution. I'm not going to bore you to death. You can read. I have...I have outlined some things in this constitution. Section 2, "That all power is vested in, and consequently derived from, the people; that magistrates are their trustees and servants, and at all times amenable to them." "That government is, or ought to be, instituted for the common benefit, protection, and security of the people, nation, or community; of all the various modes and forms of government, that is best which is capable of producing the greatest degree of happiness and safety..." If you want to continue reading that, go ahead. I've ended that over on page...next to the last page, which would be seventeen. "Creating private corporations, pr amending, renewing, or extending the chapters thereof." The next page eighteen, "Granting to any private corporation, association, or association, or individual any special or

exclusive right, privilege, or immunity.” I’ve taken this from the Virginia Constitution. I don’t want to bore you to death. I’m sure all know it verbatim. I am requesting a continuation of this hearing because if you will look at the attorneys’ names that I have called, met with, interviewed with, most in this area...most...I’ll take that back, many in this area are already employed by the various gas companies that are around here. At this time, I have not been able to obtain an attorney who would...who would help me with the unconstitutionality of force pooling. I believe force pooling to be, with all my heart and soul, unconstitutional. I ask for a continuance.

BILL HARRIS: Yeah. We really don’t have any jurisdiction over that. Again, this is done by the state legislature.

JUANITA SNEEUWJAGT: Could you do a continuance until we can---?

BILL HARRIS: I’m not---.

JIM KAISER: Let me help her with that. Your remedy there would be...if they give us the pooling order, then you have the right to appeal to the Circuit and that’s where you would take that case.

JUANITA SNEEUWJAGT: After we gave you a right?

GLADYS COUNTS: No, after the Board gives the right.

BILL HARRIS: No.

SHARON PIGEON: You would appeal the Board's---.

JUANITA SNEEUWJAGT: After the...my sister hasn't spoken.

JIM KAISER: You would appeal the Board's order to the Circuit Court and that's where your case for unconstitutionality would come anyway. So---

JUANITA SNEEUWJAGT: Okay. Thank you, Mr. Kaiser.

GLADYS COUNTS: Okay. I'm Gladys Counts. I have talked to a couple of people here, the Willis, Patsy Barton Ramey and Gary Willis and they told me...of course, they are unleased. They said they had no intention of leasing. They also said that most of these addresses here was correct. Mary Jean Willis...this is the Victor and Nola Willis and Victor and Sue Willis, his second wife's Heirs. Mary Jean Willis was married to Gary Willis. She's down here. She passed away several years ago. So, I don't know where you have her heirs or who you contacted there. But it has got leased.

BILL HARRIS: Let's let them respond to that.

DON HALL: Obviously, it was leased before she died.

JIM KAISER: And a lease would require her heirs to notify us that she died so that we could pay them rather than her.

BILL HARRIS: Did you understand...did you hear the answer?

GLADYS COUNTS: I heard that they leased it before she died.

JIM KAISER: Yes, ma'am. It would be their obligation to notify us that she died and who her heirs would be.

GLADYS COUNTS: Okay. Could you give me one of those persons names?

DON HALL: One which person?

GLADYS COUNTS: One of Jean's children.

DON HALL: I don't know. They haven't notified... obviously, haven't notified us that she has passed away.

GLADYS COUNTS: Okay. Well, Baunsel Willis has passed away. You have him in there. I said Baunsel Willis. I'm sorry, Baunsel Woods. I couldn't see...I didn't get the dates. But I know that Jean has been dead for five or six years or maybe longer. I cannot recall when Baunsel passed away.

DON HALL: We've been...we've been making an effort to lease properties in this well for several years.

GLADYS COUNTS: And, of course...this is just my question. I don't...I do not figure out who Sammy Sykes. What heir is he?

DON HALL: What tract are you looking at?

GLADYS COUNTS: That would be 15.

DON HALL: I don't know. Who was---?

GLADYS COUNTS: Well, I know that A. W. Hay's...the property...the big area that you are putting the gas well on, he gave his son, Earl Hay, the property. Earl Hay sold it to Curtis Silcox. Curtis Silcox sold it to Carson Woods. Carson Woods sold it to my uncle, Kilby Taylor. Kilby Taylor passed away. But my sister, Vonda, owns that property right now. I don't recall any Sykes being down there at all.

J I

GLADYS COUNTS: Well, I would like to know who he is.

JIM KAISER: I guess it would be somebody's spouse.

DON HALL: I can't tell you. I don't have the files on that stuff here.

GLADYS COUNTS: Okay, okay. And there's Fern Coleman, was Fern Woods and Clay Coleman and Vester Coleman. I grew up with those kids. I talked to them and they told me that the gas company approached them and told them that they own the gas and oil under that property and asked them to sign a lease, which they did. Okay, how do I go about finding out if they own the gas and oil under that or if my sister owns it?

DON HALL: Well, this is based on title work by attorneys.

GLADYS COUNTS: If I produce that, could you tell

me?

DON HALL: If you produce what?

GLADYS COUNTS: The title?

DON HALL: Yeah. I can't tell you right now. I'd have to do some research.

JIM KAISER: We can provide you with a copy of our title.

GLADYS COUNTS: Okay. Here's---.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes.

BOB WILSON: May I suggest that...I believe these items of business are things that the company and the land owners need to get together and discuss outside the Board process here because it sounds to me like there may be that Ms. Counts has information that would be of value to the company and maybe vice versa. I'm not sure how that it goes to our purpose here today to consider the pooling.

BILL HARRIS: Yeah, there are parties who haven't been noticed or anything like that. But I don't know that that's---.

GLADYS COUNTS: Well, isn't the information he has supposed to be correct to the best he can do it?

JIM KAISER: We're representing that to the best of our knowledge our application is correct...that the ownership is correct.

GLADYS COUNTS: Well, I'm saying is your knowledge up to par on this particular thing?

JIM KAISER: We're saying it is.

KILBY JOE EDWARDS: It's assumed right until proven wrong. Is that what the Board's opinion is?

COURT REPORTER: Sir, one at a time.

GLADYS COUNTS: Okay. Well---

BRUCE PRATHER: We don't check title.

JIM KAISER: It's not jurisdictional to the Board anyway.

GLADYS COUNTS: So, it's strictly with Mr. Hall?

BRUCE PRATHER: Right.

DON HALL: With our company, yes.

GLADYS COUNTS: Okay, okay. Okay, then...but I wanted to say that I strongly oppose the pooling because it is unconstitutional. A person or a state does not have the right to give you something that belongs to me. You...of course, in these papers you refer to the Commonwealth, gas and oil, which I guess we're Virginia. So, we belong to Virginia. So, I guess it is the Commonwealth's gas and oil. But when you read what a Commonwealth is, are these laws make Virginia a Commonwealth? A Commonwealth means, "A group of person banded together for the common good or for the public welfare." Force pooling is for the good of the gas companies so they can get richer. It's not...it's not for the good of

our welfare, of Virginia's people. That's...I'm one of them. Our state flag and seal has virtue dressed as a woman warrior. She stands triumph over tyranny. Do you know what virtue means? I guess you do. Moral, excellence, goodness, honesty, decency, honor and that's only to name a few. Does this sound like force pooling? No, I don't think so. If Virginia is a Commonwealth, and it's supposed to be, I do not see how force pooling is legal even though you say the law is on your side. Then, the law is unconstitutional if it gives you the right to steal from me, come on in and take my food off the table. I mean, it's the same thing. They give you the right through the laws to come and steal my oil and gas. There's no difference in giving you the right to come and take my car, my house, my food off the table or whatever. It's the same thing. I can't see it differently. Like I said, to me stealing is stealing no matter what. The state has given you permission to do that. So, you can go ahead and force pool this. But it is under our...we all like it. I'll just put it that way.

BILL HARRIS: Your objection is noted. Again, I appreciate you all coming forth and expressing yourselves. Again, a lot of what you all are saying is not under our jurisdiction. I mean, we are not in a position---

GLADYS COUNTS: I can understand that, but we felt like that we wanted to get this out in the air.

BILL HARRIS: Yes, I understand. That's why I let you go ahead and continue that. But, you know, we're not in a position to debate pooling or whatever. The state has already said---

GLADYS COUNTS: Right.

BILL HARRIS: ---that it's going to take place and there are certain regulations that the state has established. The function of the Board is to make sure that the companies follow those regulations. Now---

GLADYS COUNTS: I understand that.

BILL HARRIS: ---whether or not you feel that they are constitutional or not, you need to take that up with your legislature because they were the ones that---

GLADYS COUNTS: Yes.

BILL HARRIS: ---helped develop the law.

GLADYS COUNTS: We wanted to say that anyway.

BILL HARRIS: Yeah. And, again...yes.

KILBY JOE EDWARDS: But the one-eight percentage is not a written law. So, you can go---

BILL HARRIS: That has been---

KILBY JOE EDWARDS: ---with our request on some of that.

BILL HARRIS: Well, that has been customary years and---

KILBY JOE EDWARDS: Custom don't have to rule.

BILL HARRIS: I understand. I understand.

KILBY JOE EDWARDS: I mean, I could have been a bad person all my like, but I can change, you know.

BILL HARRIS: I understand. And...well, I understand.

KILBY JOE EDWARDS: Thank you.

BILL HARRIS: I appreciate your---.

GLADYS COUNTS: But actually we wanted it to go on the record that we just don't think the whole deal is right.

BILL HARRIS: All right. Thank you. That's on the record.

GLADYS COUNTS: And I know you have to vote the way you're supposed to.

JUANITA SNEEUWJAGT: Will you rule while we stand here?

BILL HARRIS: I'm sorry?

JUANITA SNEEUWJAGT: Will you rule now?

BILL HARRIS: Yes. We'll take a vote here shortly.

JUANITA SNEEUWJAGT: And who---?

GLADYS COUNTS: We have the next one also.

JUANITA SNEEUWJAGT: And who gives us a copy of the ruling?

BILL HARRIS: You will probably need to check... there's not a copy of the ruling as such.

BOB WILSON: The...the Board will issue an order,

assuming that the item is approved. The Board issues an order. That order is recorded in the county Courthouse. We provide copies of that order to the company who then mail it out to all respondents. So, you will get a copy of the order and it will explain your appeal rights as well as the substance of the order.

JUANITA SNEEUWJAGT: But you're not going to force pool it, are you? Okay, thanks.

GLADYS COUNTS: We are concerned about the next matter.

COURT REPORTER: Ma'am, you have to come back down here if you want to talk.

JIM KAISER: Mr. Chairman, we'd make a motion that the application be approved as submitted.

BILL HARRIS: That has to be made from the Board. Do we have any further questions?

(No audible response.)

(Don Hall confers with Jim Kaiser.)

BILL HARRIS: Yeah, that's what I said that that has to come from the Board.

JIM KAISER: We'd ask that the---

BILL HARRIS: I understand. Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: I'll second.

BILL HARRIS: Okay. Motion is seconded. All in

favor, say yes.

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

BILL HARRIS: Opposed, like sign.

KATIE DYE: No, with the comment that I don't think they fully understood what was happening to them.

BILL HARRIS: Okay. So, there's one no. But the motion...yeah, the motion would pass. Thank you. And, again, thank you all for your comments. The next item is a petition from Equitable Production Company for a well location exception for proposed well 550485, this is the same well as previously, Sandlick District, Dickenson County, Virginia, docket number VGOB-07-0619-1955. This was continued from June also. Again, we'd like all parties who wish to speak to this item to please come forward.

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

BILL HARRIS: I think we're going to have some other folks here. Would you state your name, please, for the record?

KILBY JOE EDWARDS: Joe Edwards.

JUANITA SNEEUWJAGT: Juanita---

GLADYS COUNTS: Gladys Counts. I'm sorry. Gladys Counts.

JUANITA SNEEUWJAGT: Juanita Sneeuwjagt.

BILL HARRIS: Go ahead.

JIM KAISER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, again state your name, 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. And, again, 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 location exception for this well?

A. Yes.

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

A. Yes.

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

A. We have a 100% either leased or pooled.

Q. And does Equitable have the right to operate any reciprocal wells, that being the wells from which we're

seeking an exception?

A. Yes.

Q. Are there any correlative rights issues?

A. No.

Q. Now, in conjunction with the exhibit that you passed out, would you explain why we're seeking this location exception?

A. As you can see, the P-550485 is highlighted in yellow on the exhibit. The circles that you see on the exhibit are 2500 foot radius circles from wells that surround this particular well. You see they all intercept indicating that there is no legal location or no location that's greater than 2500 feet from all of these wells.

Q. Okay. So, in other words, there wouldn't...there's no location that you wouldn't have to...that wouldn't be within 2500 feet of one of these reciprocal wells?

A. That's correct.

Q. Okay.

A. And it's basically spaced as equally as we could get it.

Q. So, in order to...in order to produce the reserves underlying this unit that you're required to request this location exception?

A. That's correct.

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

A. 450 million cubic feet.

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

A. 5562 feet.

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

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for P-550485?

A. Yes.

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

BILL HARRIS: Any questions from members of the Board?

(No audible response.)

BILL HARRIS: Did you all folks have some questions?

KILBY JOE EDWARDS: Well, I'd just like to make a comment that the state law says that each well must be at least 2500 foot apart unless approved by the Director, you know, or the Board. Mr. Wilson says that the Director of the Board is just a name. It looks like there's well close enough around already until...if they put the lot 2500 foot, why...if you all going to give them a variance to every time they come in here, rubber stamp everything they ask, you know, why not just get the law changed again and give them 2,000 foot instead of 2500. It just doesn't seem right. If the laws are there, you know...there are very few that seem to get the benefit of the laws and they just get anything they ask for. We don't think it's fair. That's my comment.

GLADYS COUNTS: I second the motion. But it looks as if the way all of these circles are that they will be able to get all of the gas anyway because of the way rolls and it's down under anyway...down there on the ridge. But like him, I'm just kind of opposed to hollering for a variance every time you need to. You didn't place the outer wells at the right spots?

BILL HARRIS: Well, I'm not...well, again...again, the law does allow for---

GLADYS COUNTS: We know that, yeah.

KILBY JOE EDWARDS: We know that, right.

GLADYS COUNTS: We have read all of these papers

several times.

KILBY JOE EDWARDS: We're appealing to the Board. The Board can disallow it.

BILL HARRIS: Well, what we...we have to have very good reason to disallow it. In this case---

KILBY JOE EDWARDS: We don't want it and they want it. I mean, our reason is 50% is good as theirs are.

BILL HARRIS: Yes.

BRUCE PRATHER: The one thing involves something like this is when you start bringing your spacing in a little bit you lower the reserves a little bit. This doesn't have that problem. These people are willing to risk the money, four hundred and some thousand dollars, to drill a well here that doesn't have the same reserves as it would on say 2500. But it has a lot of reserves left. You're not going to get it...the wells that are around there, one has to be in between somewhere. So, basically, what it amounts to if they put up the money, everybody ought to be happy.

KILBY JOE EDWARDS: Well, they're risking the money. I mean, I risk it when I buy stock too everyday.

BRUCE PRATHER: Exactly.

KILBY JOE EDWARDS: But that's a risk they should take, you know.

BRUCE PRATHER: They're perfectly willing to take it because they will put a well there.

KILBY JOE EDWARDS: But they're 99 point something sure that there is enough gas there to overpay for that well.

BRUCE PRATHER: It's not 99.

KILBY JOE EDWARDS: They don't see very many dry wells.

BRUCE PRATHER: It's not 99. You can lose one of these holes when you drill them.

GLADYS COUNTS: Yes, we know that they have lost a few. There's spots in the county.

BRUCE PRATHER: So, as far as I'm concerned---

GLADYS COUNTS: I know it's fixed.

BRUCE PRATHER: ---it will go to the risk of the money to drill this well and it's couple hundred feet off it's spacing. It should be approved.

GLADYS COUNTS: Well, you all have to do whatever you have to do. I mean, we're just here to tell you the way we feel.

BRUCE PRATHER: Yeah.

GLADYS COUNTS: We'd like to change your mind if we possibly could.

BILL HARRIS: Well, I think that involves changing some regulations as well. But that's not our authority to do that.

GLADYS COUNTS: We understand that. We're okay.

KILBY JOE EDWARDS: We know the law. We know you

can't go against the law. But there are some of these questions that we have that is not written in law that you could change.

BRUCE PRATHER: See they own the lease under this. All of these wells in here are Equitable wells. So, basically, what it amounts to is they're just filling in the gap in between.

KILBY JOE EDWARDS: You don't have to steal everything. You don't have to rob God's earth of everything just to make a dollar. That's not...I mean, that's not moral---.

BRUCE PRATHER: That's what they're in business for.

BILL HARRIS: Okay. Any...any further comments or questions?

JUANITA SNEEUWJAGT: I'd better not. I'd better not comment.

BILL HARRIS: Thank you all.

KILBY JOE EDWARDS: Thank you.,

GLADYS COUNTS: Thank you.

BILL HARRIS: Do you have anything further?

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

BILL HARRIS: Do we have any questions or do I hear a motion?

BRUCE PRATHER: I'll make a motion that we approve.

BILL HARRIS: So, it has been moved to approve.

MARY QUILLEN: Second.

BILL HARRIS: Second. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. Thank you, folks. We need to take a break. We'll take a ten minute recess.

(Break.)

BILL HARRIS: The next item, a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization of direct payments of royalties on Tract 3A, unit AW-135, Maiden Springs District, Tazewell County, Virginia. The docket number is VGOB-04-0120-1248-01. Owners...I'm sorry. Would everyone...anyone who is speaking to this project, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty again.

BILL HARRIS: Let the record show there are no others.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. Who do you work for?

A. CNX Gas Company.

Q. And what are your job responsibilities as they pertain to this miscellaneous petition?

A. To make sure that all of the royalty payments that we send to escrow bank are accredited.

Q. Okay. And in this particular case, what did you do to verify that that had happened?

A. I compared our...the checks amounts that we had sent with the...with Wachovia's ledger sheets.

Q. Okay. And the bank actually makes those available to you?

A. Yes.

Q. Okay. Do we have a written split agreement here?

A. Yes.

Q. And have you actually seen it?

A. Yes.

Q. And what tract does it pertain to?

A. Tract 3A.

Q. And the parties to that agreement are?

A. Coal Creek Company as the coal owner and Mary Huffman, James Huffman, Jacob Huffman, III and A & R

Holdings, Inc. oil and gas owners.

Q. Okay. And this is a situation where it's not a 50/50?

A. Correct.

Q. What is it?

A. It's a 25/75 split.

Q. And who has the 75?

A. The Mary Huffman Group has the 75%.

Q. Okay. And who has the 25%?

A. Coal Creek Coal Company.

Q. And this balance where you've balanced your payments with the bank's deposits is through what date?

A. I actually think that should be May.

Q. Okay. May the 30th?

A. I think so, yes.

Q. Okay. And if...and the dollars then would be as of May the 30th?

A. Yes.

Q. If we were going to run it up through today, would the dollars be a larger total?

A. Yes.

Q. If and when the bank...the bank makes a disbursement based on a Board order, should the bank use dollar amounts you've reported or the percentages you've reported?

A. The percent.

Q. Okay. And could you for each person who would be receiving or company who would be receiving a disbursement could you give the Board their name and the percentage that the order should state and the escrow agent should use in making the disbursement?

A. Okay, for Coal Creek Coal Company they should receive 9.6071% of escrow, Mary Huffman 9.6071%, James Huffman 6.4047, Jacob and Dana Huffman, III 6.4047% and A & R Holdings 6.4047%.

Q. And if and when these disbursements are made, would it also be your request that the Board order provide that the operator could pay all of these people directly rather than escrowing?

A. Yes.

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

BILL HARRIS: Any questions from members of the Board?

BRUCE PRATHER: I have a question.

BILL HARRIS: Yes, Mr. Prather.

BRUCE PRATHER: Is...Mary Huffman up here, is she still going to be in the escrow account? I noticed there's nothing in her column.

ANITA DUTY: I listed that as...it's et al. It's actually...those four people make up what we call Mary

Huffman, et al. It's actually an heirship.

BRUCE PRATHER: Okay, thank you.

MARK SWARTZ: So, the answer to your question is they go away from the escrow?

ANITA DUTY: Yes. The entire tract will be taken out of escrow.

MARK SWARTZ: Right. Right.

BRUCE PRATHER: Okay. Okay.

BILL HARRIS: Any other questions?

BOB WILSON: Mr. Chairman.

BILL HARRIS: Mr. Wilson.

BOB WILSON: Are you saying that Mary Huffman is actually another heirship?

ANITA DUTY: It's...Mary Huffman is one of the people (inaudible) always reads. It's whoever is the first person is in the list. They call that, et al. Like Mary Huffman happens to be the first one listed on the title. So instead of saying Huffman something heirship, they call it Mary Huffman, et al. It's just a naming thing.

BOB WILSON: Okay. But she will still be the recipient of this 9.6071%?

ANITA DUTY: Yes.

BOB WILSON: Okay.

ANITA DUTY: I didn't put beside of there...I should have put coal for Coal Creek and oil and gas for Mary

Huffman.

BRUCE PRATHER: Is she their agent? Is that what---?

ANITA DUTY: No. She just happens to be the first one that they listed.

MARK SWARTZ: The confusion I think is, correct me if I'm wrong, if you try to identify this as an heirship you would have somebody other than Mary.

ANITA DUTY: Yes. I don't know what the name is.

MARK SWARTZ: Okay, okay. Right.

ANITA DUTY: Yeah.

MARK SWARTZ: I mean, I don't know if that helps, but maybe it does.

BOB WILSON: Excuse me, my interest is to make sure that we know who to make the checks to.

MARK SWARTZ: That's---.

BOB WILSON: We make the check to Mary Huffman, is that correct?

MARK SWARTZ: In the percentage that Anita previously stated, correct.

ANITA DUTY: Yes.

BOB WILSON: Thank you.

BILL HARRIS: Well, let me...now, a single check or a check go to the other folks as well though, right?

MARK SWARTZ: No, the 9.6071 was the percent that

goes to her.

BILL HARRIS: Okay. But then James Huffman and others would get their respective percentage?

MARK SWARTZ: As Anita---

BILL HARRIS: Okay.

MARK SWARTZ: ---read into the record, correct. There would be---

ANITA DUTY: Those four people make up the---

MARK SWARTZ: There will be five checks in the percentages---

BILL HARRIS: Okay.

MARK SWARTZ: ---that Anita reported.

BILL HARRIS: Okay, that's---

BRUCE PRATHER: Okay, good.

BILL HARRIS: Yeah.

BOB WILSON: Yes, sir. I need to point out to...just for future reference and for the Board's interest, we can only put one name on these disbursements. We've got Jacob and Dana Huffman, III. We have to put it in one name or the other because...either that or split them because the IRS requires a 1099 for only one individual. So, in the future you might inquire as to how these checks should be made out because they can only be made to one individual.

SHARON PIGEON: They can't be made to husband and wife jointly when they're filing jointly?

BOB WILSON: We got busted.

(Laughs.)

ANITA DUTY: Well, if they sign the agreement together, how do you that?

BILL HARRIS: I guess a 50/50.

BOB WILSON: The times that we have had the question come up, we have tried to contact the folks and generally they have said to make it out to the first name on there because it's joint property anyway.

MARK SWARTZ: Why can't you make the...I mean, I'm not trying to be argumentive here, but why can't you make the check payable to both people and just do one 1099 with one social security number and then it's their issue when they file their tax return. I mean, I...you know, I---

BOB WILSON: Yes, that's a solution as well. Yes. Yes. Yeah, yeah, yeah.

MARK SWARTZ: Okay.

BOB WILSON: So long as...as far as the IRS is concerned---

MARK SWARTZ: That somebody gets tagged with the revenue.

BOB WILSON: ---that we only have the one name.

MARK SWARTZ: Correct.

BOB WILSON: And as they have explained it to us, if we do that and then there were multiple recipients, it's

up to that person who received the 1099 to make that correction and file his own 1099.

MARK SWARTZ: Right, right. Understood. But that is the way for us collectively to deal with that issue and sort of punt it.

BOB WILSON: Thank you.

BILL HARRIS: Any other questions?

(No audible response.)

BILL HARRIS: Anything else, Mr. Swartz?

MARK SWARTZ: No.

BILL HARRIS: Do we have a motion on this item?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: Opposed, like sign.

KATIE DYE: Sustained.

BILL HARRIS: Thank you. One abstention, Mrs. Dye.

The next item is a petition...let me make sure...yes, a petition from CNX Gas Company, LLC for pooling of coalbed methane, unit C-13, North Grundy District, Buchanan County, Virginia, docket number VGOB-07-0717-1958. We'd ask all

persons to come forward who are speaking to that.

MARK SWARTZ: Mark Swartz and Les Arrington. Also, I think on the docket number, we're filing some revised exhibits, the docket number for some reason or the other actually should be 1980.

BILL HARRIS: Instead of 1958?

MARK SWARTZ: Correct.

BOB WILSON: Mr. Chairman, that's correct. That was a...an error made in our office. We actually issued the operator an incorrect docket number. It should be 1980. The notice was given of all the substantive part of it, so there's notice issues or anything. We just merely need to consider as docket number 1980 rather than docket number 1958.

BILL HARRIS: Do I need to recall that then or...with that correction? Is that---?

BOB WILSON: Yeah. I think it would be good to read it into the record. Yes, sir.

BILL HARRIS: Okay. The docket we are considering here, the docket number, is VGOB-07-0717-1980. That's a petition from CNX Gas Company, LLC for pooling of coalbed methane unit C-13, North Grundy District, Buchanan County, Virginia.

MARK SWARTZ: Correct. The same appearances.

BILL HARRIS: Thank you. Anyone else?

(No audible response.)

BILL HARRIS: Let the record show that there are no others.

(Leslie K. Arrington was duly sworn.)

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Would you state your name for us, please?

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. And what do you do for them?

A. I'm manager of environmental and permitting.

Q. And did you actually supervise and/or personally prepare the notice, the related exhibits, the application and the related exhibits?

A. Yes, I did.

Q. And did you sign both of them?

A. Yes.

Q. What did you do to inform people that there would be a hearing today with regard to the pooling application concerning C-13?

A. We mailed by certified mail, return receipt requested on June 15, 2007 and published in the Bluefield Daily Telegraph on June 20, 2007.

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

A. Yes, we have.

Q. And when you published, what was it that got published in the newspaper?

A. The notice of hearing and the location exhibit.

Q. Okay. We've passed out some revised exhibits today, correct?

A. Yes, we have.

Q. And, obviously, one of the things that those corrections is is the case number---

A. Yes.

Q. ---or the docket number, right?

A. Yes.

Q. Okay. In addition we have some dismissals, correct?

A. Yes, we do.

Q. And that would be disclosed by Exhibit B-2?

A. Yeah.

Q. And B-2, are there a couple of dismissals?

A. Yes, there is.

Q. And who would that be?

A. It's Janet McGhee and Appalachian Natural Gas Distribution Company and we have that interest leased.

Q. Okay. So, the reasons here would be that the Appalachian Natural Gas Distribution Company you've got a lease from them?

A. Yes.

Q. And then apparently on doing some further due diligence, it turned out that Janet McGhee was not a CBM owner, correct?

A. Correct.

Q. And then have you filed also a revised Exhibit B-3 to subtract those people from the list of folks that you're pooling?

A. Yes, we have.

Q. Okay. Other than the people that we've just mentioned that need to be dismissed, do you want to make any other dismissals?

A. No.

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

A. No.

Q. Have...did the dismissals that we just mentioned that are reported in Exhibit B-2 change the percentages?

A. It did.

Q. Okay. So, we filed a revised Exhibit A, page two, correct?

A. Correct.

Q. And would you tell the Board what interest the applicant has been able to acquire and what it is you're seeking to pool here?

A. Yes. We leased 91.7968% of the coal, oil and gas owner's claim to coalbed methane and we're seeking to pool 8.2032% of the coal, oil and gas owner's claim to coalbed methane.

Q. This unit is an Oakwood 80 acre unit, is that correct?

A. Yes, it is.

Q. How many wells are proposed?

A. One.

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

A. It's within...within, yes.

Q. Okay. And have you provided the Board with a well cost estimate?

A. Yes. It's \$232,805.30 to a depth of 2,458 feet. The permit number is 8261.

Q. And if I recall correctly, there is not escrow requirement here?

A. Correct.

Q. Who is the applicant?

A. CNX Gas Company, LLC.

Q. And who is it that the applicant is requesting be appointed the Board's designated operator if the application is approved?

A. CNX Gas Company, LLC.

Q. Is CNX Gas Company, LLC in essence a

Virginia General Partnership?

A. Yes, it is.

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

A. Yes, it is.

Q. Has it registered with the DMME?

A. Yes, it is.

Q. Does it have a blanket bond on file?

A. Yes.

Q. And is the development plan here to drill one well in the drilling window and then frac that well?

A. Yes, it is.

Q. What are the lease terms that you have offered to the folks that you have been able to obtain agreements from?

A. Our standard coalbed methane lease terms are a dollar per acre per year with a five year paid term with a one-eighth production royalty.

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

A. Yes, it is.

Q. Is it your further opinion that if you combine your leasing efforts to the extent that they've been successful and acquisition efforts with a pooling order pooling the remaining respondents 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.

BILL HARRIS: Any questions from members of the Board?

(No audible response.)

BILL HARRIS: Do you have anything further?

MARK SWARTZ: I do not, sir.

BILL HARRIS: Do we have a motion concerning the---

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: It's approved like sign. I'm sorry, opposed like sign.

KATIE DYE: Abstain.

BILL HARRIS: One abstention, Mrs. Dye. Thank you. The item is approved. The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit E-13, South Grundy District, Buchanan County, Virginia, docket number VGOB-07-0717-1959. We'd ask all parties who wish to speak to this item come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

BILL HARRIS: Let the record show there are no others. Okay, you may proceed.

MARK SWARTZ: Thank you. Mr. Chairman, I'd like to incorporate, if I could, Mr. Arrington's testimony with regard to the applicant and operator, standard lease terms and his employment from the last hearing.

BILL HARRIS: Yes, that will---.

MARK SWARTZ: And I would also like to incorporate his testimony with regard to the changes that have provoked the revised exhibits because the dismissals are the same people and for the same reasons. So, as you will...as soon as you see Exhibit B-2 to this one, you'll see that that's

true. If I could do that as well, that will save a little bit of time.

BILL HARRIS: Yes, yes we'll include those.

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 unit is this?

A. Oakwood 80.

Q. How many wells are proposed?

A. One.

Q. And is this well also located in the drilling window?

A. Yes.

Q. And is it a frac well?

A. Yes, it is.

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

A. Yes, we have. It was \$247,498.64 to a depth of 2472.

Q. And you don't have a permit for this one yet?

A. No.

Q. What interest have you been able to acquire?

A. We acquired 85.7173% of the coal, oil and gas owners claim to coalbed methane. We're seeking to pool 14.2827% of the coal, oil and gas owner's claim to coalbed methane.

Q. Okay. And that percentage is reflected in the revised Exhibit A, page two, correct?

A. Yes.

Q. Okay. What did you do to notify the respondents in this case that there was going to be...and other people that there was going to be a hearing today?

A. We published in the Bluefield Daily Telegraph on June 20, 2007 and we mailed by certified mail, return receipt June 6...June 15, 2007.

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

A. The notice of hearing and location map.

Q. Have you filed with Mr. Wilson copies of your certificates with regard to mailing and the newspaper

certificate of publication?

A. Yes, we have.

Q. Is it your opinion that drilling one well in this Oakwood 80 unit in the drilling window and then fracing that well is a reasonable way to develop the coalbed methane within and under this unit?

A. Yes, it is.

Q. Is it your further opinion that if you combine your leasing and acquisition efforts...the applicant's leasing and acquisition efforts with a pooling order that the correlative rights of all owners and claimants within this unit would be protected?

A. Yes, it would.

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

BILL HARRIS: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: I do not.

BILL HARRIS: Do we hear a motion pertaining to this item?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: Opposed, like sign.

KATIE DYE: I abstain.

BILL HARRIS: And one abstention, Mrs. Dye. Thank you. The motion passed. The next item, a petition from CNX Gas Company, LLC for pooling of coalbed methane unit E-20, South Grundy, Grundy District, Buchanan County, Virginia. Virginia dock...I'm sorry, the docket number is VGOB-07-0717-1960. We'd ask all parties who wish to speak to this particular item to come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

BILL HARRIS: The record will show that there are no others.

MARK SWARTZ: If I could, I'd like to ask that we incorporate Mr. Arrington's testimony today with regard to...prior testimony today with regard to the applicant and the operator, standard lease terms and his employment.

BILL HARRIS: That will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. What kind of unit is this?

A. It's an Oakwood 80.

Q. And the well here is, I believe, not in the window, is that correct?

A. No, it is not.

Q. Okay. Do you have a permit for this well?

A. Yes, 7194.

Q. What's the depth?

A. 1625 feet.

Q. And the well cost estimate is what?

A. \$303,871.43.

Q. Do you want to add anyone as a respondent today?

A. No.

Q. Do you want to dismiss anybody?

A. No.

Q. What did you do to notify Mr. and Mrs. Welch and others that there would be a hearing today?

A. We mailed by certified mail, return receipt June 15, 2007 and published in the Bluefield Daily Telegraph on June the 21, 2007.

Q. And when you published, what was published in the paper?

A. The notice of hearing and location map.

Q. Have you filed your certificates with regard to mailing with Mr. Wilson, as well as the newspaper certificate with regard to publication?

A. Yes, we have.

Q. And I take it you don't want to add or subtract anybody today?

A. No.

Q. Okay. What interest have you been able to acquire in this unit?

A. We've acquired 99.9374% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 0.0626% of the coal, oil and gas owner's claim to coalbed methane.

Q. Is it an escrow requirement here?

A. Yes, for Tracts 4 and 5.

Q. And that's just traditional conflicts?

A. Yes.

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

A. Yes, it is.

Q. Is it your further opinion that if you combine a pooling order pooling Mr. and Mrs. Welch with your leasing efforts, meaning CNX Gas Company's leasing efforts, the correlative rights of all owners and claimants would be protected?

A. Yes, it would be.

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

BILL HARRIS: Okay. Questions from members of the Board?

(No audible response.)

BILL HARRIS: Do you have anything further?

MARK SWARTZ: No.

BILL HARRIS: Okay. Do we hear a motion?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second.

BILL HARRIS: Okay. Further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: Approved...I'm sorry, opposed, like sign.

KATIE DYE: I abstain.

BILL HARRIS: One abstention, Mrs. Dye. Thank you. The motion is passed. The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit F-19, South Grundy District, Buchanan County, Virginia, docket number VGOB-07-0717-1961. We'd ask all parties who wish to speak to this item to come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

BILL HARRIS: The record will show there are no others.

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

BILL HARRIS: 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 is this?

A. It's an Oakwood 80.

Q. Okay. And this one, the well is not in the window either?

A. No.

Q. Okay. What's the permit number?

A. 7705.

Q. The depth?

A. 2,340 feet at a cost of \$336,288.45.

Q. Do you want to add any respondents or dismiss any respondents?

A. No.

Q. What did you do to give notice to Welches that there was going to be a hearing today?

A. We mailed by certified mail, return receipt

on June 15, 2007 and published in the Bluefield Daily Telegraph on June 22, 2007.

Q. Have you filed your proofs with regard to mailing and the certificate of the newspaper with regard to publication with Mr. Wilson?

A. Yes, we have.

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

A. We've acquired 99.9958% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 0.0042% of the coal, oil and gas owner's claim to coalbed methane.

Q. There's no escrow required?

A. No.

Q. Is it your opinion that drilling on frac well in this 80 acre Oakwood unit is a reasonable way to develop the coalbed methane within and under the unit?

A. Yes, it is.

Q. Is it your further opinion that if you combine a pooling order pooling the Welches interest of .0042% in the unit with the successful leasing and acquisition efforts of CNX Gas Company, the correlative

rights of all owners and claimants would be protected?

A. Yes, they would be.

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

BILL HARRIS: Questions from Board members? Let me just ask a question about the location of the well. It is outside of the drilling window. Could you just address that?

LESLIE K. ARRINGTON: Yes. We're up on the ridge there, back away from the properties.

BILL HARRIS: So, there's...because we didn't have topographic lines. So, we can't...we can't---

LESLIE K. ARRINGTON: I'll start bringing those.

BILL HARRIS: Okay.

LESLIE K. ARRINGTON: But, yes, that's where we're at.

BILL HARRIS: That's primarily what's...okay, fine. Thank you. Anything further?

MARK SWARTZ: No. Nothing further.

BILL HARRIS: Do you have a motion on this particular item?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: Opposed, like sign.

KATIE DYE: I abstain.

BILL HARRIS: Okay, motion passed. The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AZ-96, Hurricane District, Buchanan County, Virginia. The docket number is VGOB-07-0717-1962. We'd ask all parties who wish to speak to this project to come forward.

MARK SWARTZ: Mark Swartz and Les Arrington. This one, we've reached an agreement and it can be dismissed. The next one, the same people and the same situation. So, the next docket item, number sixteen, can also be dismissed.

BILL HARRIS: Let me read that one. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit BA-96, Hurricane District, Buchanan County, Virginia, docket number VGOB-07-0717-1963. That's the other docket. We're told that these can be withdrawn or dismissed.

MARK SWARTZ: Or dismissed. Yes, either. Whatever

your preference is. We don't need to pool these.

BILL HARRIS: Okay, then, we'll move onto the next item. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-122, New Garden District, Russell County, Virginia. The docket number for that is VGOB-07-0717-1964. We'd like all persons who wish to speak to that item to please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

BILL HARRIS: Let the record show there are no others.

MARK SWARTZ: If I could incorporate Mr. Arrington's testimony regarding the applicant, the operator, standard lease terms and his employment, that would help.

BILL HARRIS: Yes, that will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS MR. SWARTZ:

Q. Les, could you state your name again?

A. Leslie K. Arrington.

Q. What kind of unit is this?

A. This is a Middle Ridge with 58.74 acres.

Q. Where is the well located?

A. Within the drilling window.

Q. Is it a frac well?

A. Yes, it is.

Q. Have you provided a cost estimate?

A. Yes, we have. It's \$240,497.71 to a depth of 2720. The permit number is 8220...8211.

Q. And what interest have you been able to acquire in this unit and what is it that you're seeking to pool?

A. We've acquired 100% of the coal owner's claim to coalbed methane and 62.9043% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 37.0957% of the oil and gas owner's claim to coalbed methane.

Q. Are there conflicts in this unit, traditional conflicts?

A. Yes, there are for Tract 1A, 1C, 2A, 2B, 2D and 5.

Q. And are there split agreements?

A. Yes, for Tract 2E, 2F, 3A and 3B.

Q. And have you in Exhibit EE identified the parties who have entered into these split agreements?

A. Yes, we have.

Q. And in the event that the Board were to approve this or to pool this unit, would it be your further request that with regard to the people identified in Exhibit EE the operator be allowed to pay them directly in accordance with their split agreements rather than being required to escrow those funds?

A. Yes, we have.

Q. Okay. Have you listed the people that you're seeking to pool in both the notice and Exhibit B-3?

A. Yes, we have.

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

A. No.

Q. Do you want to dismiss anybody?

A. No.

Q. Okay. What did you do to notify the people you've listed and identified, as well as anyone else who might have an interest in this unit, of this hearing today?

A. We mailed by certified mail, return receipt

June 15, 2007 and published in the Bluefield Daily Telegraph on June 22, 2007.

Q. And when you published, what was in the newspaper?

A. The notice of hearing and location map.

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

A. Yes, we have.

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

A. Yes, it is.

Q. And is it your further opinion that if you combine a pooling order pooling the respondents with the successful leasing and acquisition efforts of CNX Gas Company, that the correlative rights of all owners and claimants will be protected?

A. Yes, they will be.

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

BILL HARRIS: Questions from Board members?

(No audible response.)

BILL HARRIS: Do you have anything further?

MARK SWARTZ: No, I do not.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: Opposed, like sign.

KATIE DYE: I abstain.

BILL HARRIS: One abstention, Mrs. Dye. Thank you.

The next item, a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-123, New Garden District, Russell County, Virginia, docket number VGOB-07-0717-1965. We'd ask all parties who wish to speak to this item to please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

BILL HARRIS: The record will show there are no others.

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

BILL HARRIS: Yes. That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. We've got some revised exhibits today.

A. Yes.

Q. And is the reason, in general, for the revision the fact that you want to dismiss one of the respondents?

A. Yes, we do.

Q. And which one is that?

A. That would be Pansy Bostic.

Q. Okay. And the reason for that dismissal?

A. It was leased.

Q. Okay. And other than her, do you want to dismiss any of the other respondents?

A. No.

Q. Do you want to add any respondents today?

A. No.

Q. Have you filed an Exhibit B-2 reflecting your request to dismiss Pansy and their reason?

A. Yes, we have.

Q. Have you revised Exhibit B-3 accordingly?

A. Yes, we have.

Q. Have you revised the interest that you've acquired and that you're seeking to pool specifically Exhibit A, page two?

A. Yes, we have.

Q. And what interests have you been able to lease or otherwise acquire and what is it that you're seeking to pool?

A. We've acquired 100% of the coalbed methane from the coal owner. We've acquired 91.4198% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 8.5802% of the oil and gas owner's claim to coalbed methane.

Q. And is there escrow required here?

A. Yes. For Tract 2B, 3A and 3B.

Q. And that would be just traditional conflicts?

A. Yes.

Q. Do you have a split agreement?

A. Tract 2A.

Q. And have you filed an Exhibit AA with regard to the split agreement?

A. Yes, we have.

Q. Are you requesting that the Board in the event this unit is pooled allow the operator to pay the folks identified in Tract 2A of Exhibit EE concerning the split agreements, pay them directly rather than escrowing their funds?

A. Yes.

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

A. Yes, it is.

Q. What kind of unit is it?

A. It's a Middle Ridge, which has 58.74 acres.

Q. Where is the well located?

A. Outside the drilling window.

Q. And have you provided a cost estimate?

A. Yes, we have. It's \$240,194.45. The depth is 2709. The permit number is 8210.

Q. And is it your further opinion that if you combine your leasing efforts...CNX's leasing efforts and acquisition efforts with an order pooling the three remaining respondents that the correlative rights and interest of all owners and claimants would be protected?

A. Yes, they are.

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

BILL HARRIS: Questions from Board members?

(No audible response.)

BILL HARRIS: Do you have anything further?

MARK SWARTZ: No, I do not.

BILL HARRIS: I'll entertain a motion.

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes, but Katie

Dye.)

BILL HARRIS: Opposed, like sign.

KATIE DYE: I abstain.

BILL HARRIS: And one abstention from Mrs. Dye.

Motion passed.

MARK SWARTZ: Thank you very much.

BILL HARRIS: The next item is a petition from Appalachian Energy, Inc. for modification of Nora Coalbed Gas Field Rules to correct previous misalignment of units F-99 to I-99 and provide for double payment of royalties in overlapping units located in North Grundy District, Buchanan County, Virginia. The docket number is VGOB-89-0126-0009-12. We'd like all...ask all parties who wish to speak to this to come forward.

JIM KAISER: Mr. Chairman, it will be Jim Kaiser, Frank Henderson and James Rasnake on behalf of Appalachian Energy. We'd ask that they be sworn at this time.

(Frank Henderson and James Rasnake are duly sworn.)

BILL HARRIS: The record will show there are no others.

JIM KAISER: This is a little bit unusual. Frank has got some exhibits and things to pass out to help with our

testimony and explanation of what we're trying to do here. It is a miscellaneous petition to sort of correct some previously misaligned units that were drilled sometime ago to sort of bring future development back in order with the existing Nora Field Rule. Hopefully, all of the Board members have had a chance to review the application and go through the history of this area in the previously drilled wells and the reason for which we're trying to get a...for lack of a better term, sort of unit fix and we're not going to have any standard script on this like we normally do. But both Frank...James and...Frank for operational purposes and James sort more for historical purposes. We'll explain what has happened and we're attempting to do to fix it going forward. I guess we're going to start with Mr. Henderson. I don't know if anybody can really see that.

FRANK HENDERSON: I just placed the Nora Field Rules map up on the black board there. I can bring it over.

BILL HARRIS: Well, I'm...is that similar to what you've handed us or---?

FRANK HENDERSON: Actually, that map there is the Nora Field Rule for the section of Buchanan County that we're discussing today. The main purpose that I wanted to put that

up there was to show that the date on that is May 11, 1992. The wells that we're discussing here today that Edwards and Hardin originally drilled were drilled in 1991. The...this is part of the explanation that we're trying to bring forward here is to make the point that although the field rules were established, the exhibit had not been published and Virginia Gas...Edwards and Hardin Petroleum Company, which became Virginia Gas which we purchased which we purchased which is now Appalachian Energy. What they had done was extrapolate from points in Dickenson County into Buchanan County absent the Field Rules map exhibit to try to create 60 plus or minus ...actually 60 acre units at that time.

JIM KAISER: He's trying to explain why the original mistake occurred basically.

FRANK HENDERSON: That's why I brought that exhibit. The colored exhibits that I just handed out to you, the Exhibit A, which is also part of the application shows that...if you look in the center of the map there, wells number EH-44 and EH-47 were drilled in 1991 by Edwards and Hardin Petroleum Company. Though you can see where those particular units, which are outlined in blue, are not aligned properly with the Nora Field units that were later published.

What we're trying to do today is to correct or provide a remedy to correct the misalignment. We'd like to try to drill the well AE-150, which is in kind of a purple color there in the middle. Then, we're also proposing to drill surrounding wells. When we first discovered this, we met with Director Wilson to try to come up with a game plan on how best to move forward with it. At that time, he suggested that we acquire as many property as possible surrounding it prior to coming to the Board for a relief request. We've since done that. We've acquired leasing on all of the surrounding properties. We're prepared to move forward. The two units that are and the biggest issue here would be the G-99 unit, which is right in the center there below EH-44 and north of EH-47. Then, the unit to the south of EH-47, the I-99 unit where we've actually already received a increased density application on I believe last year and we've not drilled those wells yet. We're trying to propose a larger unit there and then a 58.77 acre unit for AE-150. To the north in unit E-99, if we drill the well there, which we're looking to do, what we would do there is just pay...we'd just do an overlap and pay double royalties on the overlapped section. Do you have any specific questions on anything that

I've tried to explain?

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes.

BOB WILSON: Let me...from the State's standpoint here give a bit more of the history that Mr. Henderson was speaking about there. The Field Order was issued very early in the...under the law of 1990. It was the first Field Order that was issued by the predecessor...this Board actually. When it was issued, it was merely issued with two starting points for the grid that was to become the Nora Field. Only later did the Board request and the applicant furnish a map such as the one that you see on the wall now defining the grid throughout its extent. In the meantime, as Mr. Henderson said, these wells had been drilled in units that eventually landed off grid. Mr. Henderson found this problem after he acquired the company and notified our office immediately, I would assume.

JIM KAISER: Gosh, it has been several years ago, yeah.

BOB WILSON: And it has been...they have been working on it and trying to come up with a solution for this since that time. The objective that we had discussed was to

attempt to come up with a scheme whereby the people who already being paid are not damaged. The people who are to be paid for future units are properly compensated according to acreage they would normally be paid for and that future development would be back on grid. I think they've accomplished that with this program that they've got here. The tolerances that are built into Nora units, which is 15%, will allow the units that are adjacent to these that have to be repaired to fall within the definition of the... definitions provided by the Field Rule. I believe that they have now acquired sufficient acreage here that there are no pooling issues. There are no outstanding correlative rights issues, is that correct?

JAMES RASNAKE: That's correct.

FRANK HENDERSON: That's correct, on the two units in question that we're referring to.

BRUCE PRATHER: All the adjacent wells belong to you?

FRANK HENDERSON: That's correct.

BRUCE PRATHER: Yeah.

FRANK HENDERSON: Now, we will...on the Elmer tracts there are...I think there will be two...two parties to

force pool on that unless we're successful in leasing them. There are about forty-five parties. I believe we have forty-three leased plus or minus one. I don't have that number exactly in front of me. But we've also...we've drilled a couple of wells that have already taken in that property. So, those people---

JIM KAISER: Yeah, we've pooled them several times in the past.

FRANK HENDERSON: ---have been force pooled previously.

BILL HARRIS: Let me ask a question about that small rectangle almost directly in the center. You have two rectangles with...actually, the other one is not a rectangle. The one on the right is and the left isn't. But you have arrows pointing to them. Could you just address those?

FRANK HENDERSON: Okay. Those are actually mineral properties, the Johnny and Lida Matney Heirs. Those two smaller tracts there are against that. Those folks are being paid now with the EH-47 and AE-146 wells.

BILL HARRIS: AE-146.

FRANK HENDERSON: We have them under lease.

BILL HARRIS: Oh, okay.

SHARON PIGEON: What's going on in E-99 currently?
You have...you just stated---

FRANK HENDERSON: Oh, E-99?

SHARON PIGEON: ---a plan to pay double royalties
in the overlapping area. There's a well shown there.

FRANK HENDERSON: There's a potential well, the AE-
185, as a---

JAMES RASNAKE: Proposed.

FRANK HENDERSON: ---proposed well that if we drill
that well what we would do is just align it with the
proper...the proper grid, which would involve the overlap and
a double payment of royalty on that particular unit.

JIM KAISER: And the southern part with DH-44.

SHARON PIGEON: Right now DH-44 is producing and
those people from E-99 that are included in that unit---

FRANK HENDERSON: That's correct.

SHARON PIGEON: ---are being paid under that
distribution, correct?

FRANK HENDERSON: That's correct. Again, as Mr.
Wilson explained, our ultimate goal would be to as we drill
the perimeter we would just drill into a...you know, into
totally eliminating this discrepancy and all the peripheral

units would be---.

BILL HARRIS: So, in the future you're saying that all of your drilling would be according to the grid that's currently established?

FRANK HENDERSON: That's correct.

BILL HARRIS: Is that...is that what you were saying?

FRANK HENDERSON: Yeah, there's only...we only have the two units in question right now that are of issue, which are G-99 and I-99.

BRUCE PRATHER: Could I ask a question?

BILL HARRIS: Yes.

BRUCE PRATHER: Since the plat isn't to scale, what's the distance between these proposed wells? Do you got any idea?

FRANK HENDERSON: The proposed wells are about roughly 1500 feet.

BRUCE PRATHER: Okay.

FRANK HENDERSON: We have...I mean, the wells that we drilled in the H-100 and 101, I-100 and I-101, those wells are...they're at least a 1,000 feet apart. I don't have the exact distances with me.

SHARON PIGEON: And I-99, are those proposed?

FRANK HENDERSON: Yes.

SHARON PIGEON: Those two are?

FRANK HENDERSON: Yes.

SHARON PIGEON: Do you have a petition pending? Is that what you said to increase density there or you're working on it?

FRANK HENDERSON: We had already...we had already received a petition for the...I guess the I-99 unit as it stands right now for two wells in that particular unit. At the time, we petitioned for increased density for I-99, I-100 and I-101.

SHARON PIGEON: And that has been approved?

FRANK HENDERSON: That's been approved, correct.

BILL HARRIS: Other questions?

MARY QUILLEN: Mr. Chairman.

BILL HARRIS: Yes, Ms. Quillen.

MARY QUILLEN: I do have one clarify...the wells that are currently operating have been drilled and are operating are the EH wells and the AE-150. Is that the only ones that have actually been drilled?

FRANK HENDERSON: No. Actually, if you look at

the...if you have the colored copy, all of the units that are in blue are the units that are currently producing.

MARY QUILLEN: Oh, okay.

FRANK HENDERSON: The unit in the middle that's kind of a...I don't know a fusca color there, that...that is the unit that we're...we'd like to drill that well but we needed to come to the Board to obtain relief on that because of the misalignment.

JIM KAISER: Okay. Let's just to try clearly go over what the relief we're seeking here is. Let's start up at the north with E-99. We're asking that we be allowed to drill a well under the normal Field Rule there and that...and that we will double pay royalties in the overlap with F-99. Okay, that's the first thing. Then we move down to G-99, right?

FRANK HENDERSON: That's correct.

JIM KAISER: There we would ask for the same relief.

FRANK HENDERSON: On that particular...on that particular unit, we would...we would drill the 150 well as shown...the unit as shown in between the F-99 and the H-99 units.

BILL HARRIS: And that would be a G-99...I'm sorry,
not G-99, but your fusca?

FRANK HENDERSON: We would call that the G-99---

JIM KAISER: Unit.

FRANK HENDERSON: ---and the AE-150---

BILL HARRIS: But technically---

FRANK HENDERSON: ---well it would be a 58.77 acre
unit. It's just that it won't be perfectly aligned with the
Field Rules.

JIM KAISER: With the grid.

FRANK HENDERSON: And then to the south, the I-99
unit we propose extending the size of it to a...become a---

JIM KAISER: 86.14 acre unit. So, we'd ask that it
be enlarged to fix---

FRANK HENDERSON: And to drill two wells in that
particular unit.

JIM KAISER: Drill two wells in that unit and then
that fixes that whole column so to speak.

BILL HARRIS: Well, now, let me just...now, when
you say "enlarge", do you mean to meet the top of I-99 now
or---

FRANK HENDERSON: The I-99 unit as it stands is

shown and what we're proposing is to go further north to take in the roughly 20% of the H-99 unit that is currently not included in a unit so that---

BILL HARRIS: So, you...okay, so you want to extend the bottom I-99 up rather...I think I had you coming down to...okay. And in I-99 there are no wells currently there---?

FRANK HENDERSON: That's correct.

BILL HARRIS: ---but the proposal is to drill two---?

JIM KAISER: Right. We do already have a---.

FRANK HENDERSON: Increased density---

JIM KAISER: ---increased density approved, increased density application to drill two wells. So, what in effect we would be doing is going from the top of E-99 to the bottom of I-99 and including all of the owners...all of the owners within that column---

FRANK HENDERSON: The corridor...that north/south corridor.

JIM KAISER: ---...that corridor would be...would be compensated for their gas.

BILL HARRIS: Okay. And there's a little bit of

left to right misalignment, that would be taken care of also?

FRANK HENDERSON: That would be taken care of by, as Director Wilson stated, with the 15% allowment that you have---.

JIM KAISER: Under the Field Rules.

FRANK HENDERSON: ---under the Field Rules.

JIM KAISER: Which would increase those units to like 61 acre units.

BRUCE PRATHER: So, there wouldn't be a variance there? In other words, there wouldn't be a...down both sides here there would not be a gap?

FRANK HENDERSON: Right.

JIM KAISER: Right.

BRUCE PRATHER: It would be compensated by the adjacent---.

FRANK HENDERSON: That's correct. Our goal to have no gap when we're completed. We would make up to...to that center corridor with all of the adjacent units.

JIM KAISER: They go from 58.77 to 61.42 and that would take up that little slice over there.

BILL HARRIS: Let me...you may have answered this already. Again, I-99 the EH well is at the top of that

original unit in blue and is there another well proposed for I-99 then because...now, is EH-47...I noticed that's on the line.

FRANK HENDERSON: That's right on the---

JIM KAISER: The line.

BILL HARRIS: The line.

FRANK HENDERSON: ---line between G and H-99. When it was drilled, as you can see, it was in the interior window of the...what was believed to be the correct unit.

BILL HARRIS: Yeah.

FRANK HENDERSON: And then our proposal here today is to...if you look at the southern boundary of the EH-47 unit per say, which is in H-99---

BILL HARRIS: Yes.

FRANK HENDERSON: ---that the lower portion of that unit would become part of the I-99 unit.

BILL HARRIS: Okay.

FRANK HENDERSON: And then we would drill two wells in that enlarged I-99 unit.

JIM KAISER: And, I believe, those units were enlarged a little bit anyway because they're makeup units right on the border of the Oakwood Field.

BILL HARRIS: Right on the border.

JIM KAISER: Right. So---.

BILL HARRIS: Yeah, they appear to be from the map.
Yeah.

FRANK HENDERSON: And if you look at even the
A...like going further south of the A-13 unit, those are
makeup units as well for the Oakwood Field that they're
actually close to 100 acres, those units are.

BILL HARRIS: Okay.

MARY QUILLEN: Mr. Chairman.

BILL HARRIS: Yes, Ms. Quillen.

MARY QUILLEN: I have one more question. All of
the units that are H-99 and above are all of the additional
58 point whatever acres, right?

JIM KAISER: Right.

MARY QUILLEN: And then the one...the units below
are the ones that are extended to 61 or to 80---?

FRANK HENDERSON: Actually, the unit below going
north/south on the map would be...become an 86 unit.

MARY QUILLEN: 86.

FRANK HENDERSON: The I-99 unit would become a
86.---

JIM KAISER: 14.

FRANK HENDERSON: ---14 acre unit. And then the
G---.

MARY QUILLEN: And then below---.

FRANK HENDERSON: If you look...if you go to the
center of the map where the G-99 unit and AE-150...proposed
AE-150 well is, we're proposing that we would make those
units the G-100 and F-100 units would be enlarged slightly to
make...to come up to that border.

MARY QUILLEN: Right, right.

JIM KAISER: That would be 61.42.

MARY QUILLEN: Right. That's closing in that gap?

FRANK HENDERSON: Correct. That way there would be
no...there would no property that would be unaccounted for.

MARY QUILLEN: Right. And then all of these below
the A-13s down here, those are the ones that are bordering on
a 100?

JIM KAISER: Yeah. Those are the Oakwood units.

FRANK HENDERSON: Yeah. And we're not addressing
those today.

JIM KAISER: We're not---.

FRANK HENDERSON: We just show those for reference.

MARY QUILLEN: Okay.

MARY QUILLEN: Do you got any further questions from Board members?

(No audible response.)

JIM KAISER: Also, I need to correct one thing in my application. I had listed the estimated reserves in each unit as being 500 million cubic feet. It should be 250, if Ms. Pigeon will make that correction for me.

SHARON PIGEON: I'm going to need a little something from you.

JIM KAISER: Mr. Henderson, would it be your testimony that the estimated actual recovery or the life of the reserves in each of these units would actually be 250 million cubic feet rather than 500 million cubic feet as originally stated in the application?

FRANK HENDERSON: That's correct.

JIM KAISER: Thank you.

SHARON PIGEON: What about this I-99?

FRANK HENDERSON: The I-99 unit, were to a larger unit. We've not done an actual calculation on that. But I would say that it would be closer to the 500.

JIM KAISER: Well, we must of represented what we

thought it would be in the increased density application. I can't remember offhand what it was. But it would be---

FRANK HENDERSON: I be it's 375, but---

JIM KAISER: Yeah, I think it's 375. Yeah.

FRANK HENDERSON: Well, we're actually adding to the size of that unit. It would be at least 375.

BILL HARRIS: Other questions?

(No audible response.)

BILL HARRIS: Do you have something further?

JIM KAISER: We would ask that the application be approved and the relief requested be granted, Mr. Chairman.

BRUCE PRATHER: Motion to approve.

BILL HARRIS: Okay.

MARY QUILLEN: Second.

BILL HARRIS: We have a motion for approval and a second. Is there any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you.

JIM KAISER: Thank you.

FRANK HENDERSON: Thank you.

BILL HARRIS: I guess we'll continue. Our next petition is from Pine Mountain Oil and Gas, Inc. for pooling of coalbed methane unit Haysi 28, unit 72-AF, Prater District, Buchanan County, Virginia, docket number VGOB-07-0717-1966. We'd like to ask all parties who wish to speak to this particular item to come forward.

TIM SCOTT: I'm going to pass out some revised exhibits.

(Tim Scott passes out revised exhibits.)

TIM SCOTT: The next three that we're going to be working with today are fairly monstrous in ownership. So, the reason I had to put them in packets so that I wouldn't lose them, the pages are huge, but we are...we are---

BILL HARRIS: You need to identify yourself.

TIM SCOTT: I'm sorry. Tim Scott, Pine Mountain, Phil Horn and Doug Terry.

BILL HARRIS: We need to get these folks sworn in.

(Phil Horn and Doug Terry are duly sworn.)

BILL HARRIS: Thank you. You may proceed.

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, as far as these revised exhibits that we've presented to the Board, we have leased additional parties, is that correct?

A. That's correct.

Q. But those parties that we've leased are still in conflict with other parties who are also under lease, is that correct?

A. That's correct.

Q. So, we are not dismissing anybody today?

A. That's correct.

Q. We're just simply revising these exhibits to show leased versus unleased parties and then, of course, to maintain our status on Exhibit E. Okay, would please state your name for the Board, please?

A. My name is Phil Horn.

Q. And by whom are you employed?

A. Pine Mountain Oil and Gas, Inc.

Q. And your job description, please?

A. I'm the District Landman. I'm responsible for all land related affairs including getting the permits to drill wells, force poolings, et cetera.

Q. And did you assist in the preparation of this application before the Board now?

A. Yes, I did.

Q. And how many acres are embraced in this unit?

A. 58.77.

Q. Is it located in the Nora Coalbed Gas Field?

A. Yes, it is. It's unit 72-AF.

Q. And does Pine Mountain have drilling rights in this unit?

A. Yes, we do.

Q. And as I indicated before, we don't have anybody that we're going to be dismissing today, is that correct?

A. That's correct.

Q. Now, we have...we have the CBM estate and the gas estate. Can you tell us how much...what the percentages we have under lease for the CBM estate?

A. 98.71708737% for the CBM and also for the gas.

Q. Okay. How as notice provided to the respondents?

A. By certified mail, return receipt requested.

Q. Was publication also affected for this hearing?

A. Yes. It was publicated...it was published in the Bluefield Daily Telegraph on June the 20th of '07.

Q. Do we have any unknown or unlocateable parties in this unit?

A. Yes, we do.

Q. And what efforts have you made to locate these parties?

A. We have...lawyers have runned title opinions. We've tried to locate people on the Internet. We've made telephone calls. We've examined the public records. Our partner in this well, as well as these other two wells, Chesapeake has permitted and force pooled two conventional wells. So, they did a lot of our early groundwork.

Q. So, as it stands now, this is the final list

that you have, is that right?

A. Yes.

Q. Okay. Have you filed proofs of publication and proof of mailing with the Board?

A. Yes.

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

A. Yes, we are.

Q. And is there a blanket bond on file with the Department?

A. Yes.

Q. Now, if you were to reach a voluntary agreement with these parties respondent, what would the terms be?

A. We pay \$6 per acre for a five year lease that provides a one-eighth royalty.

Q. Is that reasonable compensation in this area?

A. Yes, it is.

Q. Now, back to what we're seeking to do here as far as this pooling is concerned, would you again tell the Board what CBM interest you have under lease?

A. 98.71708737%.

Q. And for the gas estate?

A. 98.7170873%.

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

A. 1.28291263%.

Q. And the CBM estate?

A. 1.2891263%.

Q. Now, we indicated earlier that we filed an Exhibit E...revised Exhibit E. Do we have an escrow requirement for this unit?

A. Yes, we do.

Q. Okay. As to parties in conflict, which tract is involved?

A. Tract 1, which is 47.63%.

Q. Is that the only tract for the conflict?

A. Yes.

Q. Okay. What about parties whose addresses are...these parties are unlocateable?

A. As to Tract 2, there's .54182689%.

Q. And that you've submitted Exhibit E which reflects these figures?

A. That's correct.

Q. Are you then requesting the Board to pool parties respondent?

A. Yes, we are.

Q. Are you also requesting that Pine Mountain be named as the operator of this unit?

A. Yes.

Q. What address should be used for any correspondent requiring election for this unit?

A. 406 West Main Street, Abingdon, Virginia 24210.

Q. To whose attention?

A. Attention: Phil Horn, District Landman.

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

BILL HARRIS: Any questions from Board members?

(No audible response.)

BILL HARRIS: Okay. You may continue.

DOUG TERRY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Terry, would you please state your name and your occupation?

A. I'm Doug Terry. I'm a petroleum engineer with Pine Mountain Oil and Gas.

Q. And are you familiar with this application?

A. Yes, I am.

Q. What would be the total depth...projected depth of this well?

A. 2,670 feet.

Q. Now, we're not pooling any oil and gas interest, is that right...or conventional gas, is that right?

A. That's correct.

Q. Okay. From the surface to the target formation, that's what we're seeking to pool, coalbed methane?

A. Just coalbed methane.

Q. What are the estimated reserves for this unit?

A. 275 mmcf.

Q. And are you familiar with the well costs?

A. Yes.

Q. And you participated with...in preparation of the AFE, is that correct?

A. That's correct.

Q. What is the estimated dry hole cost?

A. Estimated dry hole cost is \$122,846.

Q. And the completed well cost?

A. \$372,592.

Q. Does the AFE include a charge for---

(A cell phone rings.)

TIM SCOTT: We'll have to expel you from the room.

(Laughs.)

PHIL HORN: That includes us.

TIM SCOTT: Just like being in the movie theater.

Q. Does it also include a reasonable charge for supervision?

A. Yes, it does.

Q. Okay. In your opinion, would the granting of this application promote correlative rights, prevent waste and the full development of the Commonwealth's resources?

A. Yes.

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

Terry.

BILL HARRIS: Questions from Board members?

SHARON PIGEON: Is this in the window? Did you testify to that?

TIM SCOTT: Pardon me?

SHARON PIGEON: This is in the drilling window?

TIM SCOTT: Let's see.

PHIL HORN: Yes.

SHARON PIGEON: It's right on the line.

TIM SCOTT: Yes, it is. It's right on the...right on the line, but it's there.

BILL HARRIS: Any other questions?

(No audible response.)

BILL HARRIS: You may continue.

TIM SCOTT: I'd ask that the application be approved.

BILL HARRIS: Okay. Do we have a motion?

BRUCE PRATHER: Motion to approve.

BILL HARRIS: Okay. Do we have a second?

MARY QUILLEN: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Fine. The motion passed. Thank you.

The next item is a petition from Pine Mountain Oil and Gas, Inc. for pooling of coalbed methane Haysi 29, unit 72-AE, Prater District, Buchanan County, Virginia, docket number VGOB-07-0717-1967. We'd ask all the parties who wish to speak to this project to please come forward.

TIM SCOTT: Tim Scott, Phil Horn and Doug Terry for Pine Mountain Oil and Gas.

BILL HARRIS: Let the record show there are no others.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn.

Q. Again, by whom are you employed?

A. Pine Mountain Oil and Gas, Inc.

Q. And your job description?

A. I'm the District Landman. I'm in charge of getting wells land cleared to drill.

Q. Now, we've provided the Board with revised exhibits again for B, B-3 and E.

A. That's correct.

Q. Do we have the same situation where we have people that we've leased, but we're not dismissing them because the interests are still in conflict, is that correct?

A. That's correct.

Q. Okay. Did you assist in the preparation of this application?

A. Yes, I did.

Q. And how many acres are embraced by this unit?

A. 58.77.

Q. And is it in the Nora Coalbed Gas Field?

A. Yes. It's in unit 72-AE.

Q. And does Pine Mountain have drilling rights in this unit?

A. Yes, we do.

Q. Again, we have no parties that we're going to dismiss?

A. That's correct.

Q. No parties respondent, is that correct?

A. Yes, it is.

Q. And what percentage does Pine Mountain have under lease for the CBM?

A. 96.01257279%.

Q. And the gas estate?

A. 83.40172621%.

Q. How was notice affected that this hearing was going to take place?

A. By certified mail, return receipt requested.

Q. By any other means?

A. It was also published in the Bluefield Daily Telegraph on June 30, 2007.

Q. June 30 or June 20?

A. June the 20th, I'm sorry.

Q. You have to put yours on and I have to take my off to be able to see. Okay.

A. June the 20th.

Q. And, again, we have some parties unknown in this or an unlocateable, is that right?

A. That's correct.

Q. And what efforts did Pine Mountain make to locate these parties?

A. We've had oil and gas title opinions...coalbed methane title opinions rendered and we've made telephone calls. We've checked public records and relied a lot on our partner Chesapeake who got to them and drilled these wells first---

Q. Okay.

A. ---or force pooled---

Q. These individuals?

A. Yes, these individuals.

Q. Okay. Have you filed proofs of mailing and the affidavit of publication with the Board?

A. Yes.

Q. And is Pine Mountain authorized to conduct business in the Commonwealth?

A. Yes, we have.

Q. And do you have a blanket bond on file with the Department?

A. Yes, we do.

Q. Now, again, we discussed this earlier, but what terms would be offered to any parties respondent should

you reach a voluntary agreement?

A. \$6 per acre for a five year lease and it provides a one-eighth royalty.

Q. Is this fair compensation in this area?

A. In my opinion it is.

Q. Okay. Let's get back to the...what we're seeking to do here as far as the pooling of interest. What percentage of the CBM estate does Pine Mountain have under lease?

A. 96.01257279%.

Q. And the gas estate?

A. 83.40172621%.

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

A. 16.5859827379%.

Q. And the CBM estate?

A. 3.98742721%

Q. Does this unit require an escrow?

A. Yes, it does.

Q. Now, do we have both conflicting owners and parties whose whereabouts are unknown?

A. That's correct.

Q. As...what about conflicting interest?

A. Tract 1 is 4.3982814%. Tract 3 is 43.574% and Tract 5 is .007%.

Q. And what about unknown or unlocateable parties?

A. As to Tract 1, it's .46851439%. Tract 2 is .74702611%.

Q. Mr. Horn, on this particular unit, this is something that I've not encountered before, so we took a liberty with how we did the Exhibit E. Do we have both unknown and conflicting owners listed in Tract 1, is that correct?

A. Yes.

Q. Okay. So, what we did on Exhibit E is put those parties in brackets so that the escrow agent would not pay them twice as the same interest. It's just listed so that they know that it's the same parties. Okay, now, has an Exhibit E been submitted to the Board which sets force this interest?

A. Yes.

Q. Okay. Are you requesting the Board to pool the unleased parties listed on B-3?

A. Yes.

Q. And you're requesting Pine Mountain be named operator?

A. Yes.

Q. And what address should be used for any communication regarding any order that may be entered by the Board?

A. 406 West Main Street, Abingdon, Virginia 24210, Attention: Phil Horn, District Landman.

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

BILL HARRIS: Questions from Board members?

(No audible response.)

BILL HARRIS: Okay. You may continue.

DOUG TERRY

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. All right, Mr. Terry, would you again state your name, occupation and employer?

A. Doug Terry with Pine Mountain Oil and Gas as Petroleum Engineer.

Q. And are you familiar with this application?

A. Yes, I am.

Q. With regard to drilling depth, what is the projected total depth for this well?

A. 2,435 feet.

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

A. 275 mmcf.

Q. Did you also participate in the preparation of the AFE that was submitted with the application?

A. Yes, I did.

Q. Okay. As to the costs, what is the estimated dry hole cost?

A. \$114,975.

Q. And the completed cost?

A. \$362,378.

Q. Again, you did assist in the preparation of the AFE, is that correct?

A. Yes, I did.

Q. Is there a reasonable charge set forth on the AFE for supervision?

A. Yes.

Q. And in your opinion, would the granting of this application promote conservation, protect correlative rights and protect the minerals of the Commonwealth?

A. Yes.

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

BILL HARRIS: Any questions from Board members?

(No audible response.)

BILL HARRIS: Okay, do you have anything further?

TIM SCOTT: No, sir.

BILL HARRIS: I'll entertain a motion.

BRUCE PRATHER: Motion to approve.

BILL HARRIS: Okay.

MARY QUILLEN: Second.

BILL HARRIS: Okay. We have a motion and a second...it has been made and seconded. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: The motion is carried. Thank you.
The next petition...the next item is a petition from Pine Mountain Oil and Gas, Inc. for pooling of coalbed methane unit Haysi 30, unit 72-AD, Prater District, Buchanan County, Virginia. The docket number is VGOB-07-0717-1968. We'd ask all parties who wish to speak to this item to please come forward.

TIM SCOTT: Tim Scott, Phil Horn and Doug Terry for Pine Mountain Oil and Gas.

BILL HARRIS: Let the record show there are no others.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. All right. Mr. Horn, we've submitted revised Exhibits B, B-3 and Exhibit E to the Board. We have obtained leases from some of the parties respondent, is that correct?

A. That's correct.

Q. But, again, we still have conflicting claimants as to those parties---?

A. Correct.

Q. ---they have been leased, is that right?

A. Yes, it is.

Q. And, again, I'll get you to state your state your name, by whom you're employed and your job description?

A. My name is Phil Horn. I'm employed by Pine Mountain Oil and Gas, Inc. as District Landman and I'm in charge of getting wells, land cleared, title, force poolings, leases, right-of-ways, all land related affairs.

Q. Now, did you assist in the preparation of this application?

A. Yes, I did.

Q. And how many acres are embraced by this unit?

A. 58.77.

Q. Is it located in the Nora Coalbed Gas Field?

A. Yes, it is. It's unit 72-AD.

Q. And does Pine Mountain have drilling rights in this unit?

A. Yes, we do.

Q. What percentage of the unit does Pine Mountain have under lease for CBM?

A. 99.88031139%.

Q. And the gas estate?

A. 99.2%.

Q. And how was notice affected that this hearing would take place today?

A. By certified mail, return receipt requested.

Q. And by whatever method?

A. It was published in the Bluefield Daily Telegraph on June the 20th, 2007.

Q. Do we have any unknown or unlocateable owners in this unit?

A. Yes, we have.

Q. Okay. What efforts were made to locate these parties?

A. We've checked with the other heirs and used public records, the Internet and the White Pages. We have title opinions. We've title opinions. We've reviewed the public records of Buchanan County and got a lot of information by word of mouth from other Heirs.

Q. Okay. The last known addresses are listed on Exhibit B and B-3, is that correct?

A. That's correct.

Q. Okay. Have you filed proofs of publication and proof of mailing with the Board?

A. Yes, we have.

Q. And 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 Department?

A. Yes, we do.

Q. If you were to reach a voluntary agreement with the parties respondent, what would the terms be?

A. \$6 per acre for a five year lease and it provides one-eighth royalty.

Q. And is this fair and reasonable compensation in your opinion?

A. Yes, it is.

Q. As to the interest that we're seeking to pool, again, tell the Board what interest and CBM you have under lease?

A. 99.88031139%.

Q. And the gas estate?

A. 99.2%.

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

A. .8%.

Q. And the CBM estate?

A. .11968861%.

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

A. Yes, we do.

Q. Do we have parties who are in conflict as well as parties whose whereabouts are unknown?

A. Yes, we do.

Q. Okay. As to the conflicting interest, what tracts are involved?

A. Tract 2 .0128%, Tract 3 18.92% and Tract 5 4.78%.

Q. Now, as to the parties whose whereabouts are unknown, what tract is involved?

A. Tract 2 .02527472%.

Q. Is this also the same situation that we discussed earlier with the previous item on the docket where we have parties who are both unknown and whose interests are in conflict, is that correct?

A. That's correct.

Q. Okay. Does Exhibit E set forth this information?

A. Yes, it does.

Q. And it has been filed with the Board?

A. Right.

Q. Are you requesting the Board to pool the unleased parties listed on Exhibit B-3?

A. Yes, we are.

Q. Are you requesting that Pine Mountain be named operator for this unit?

A. That's correct.

Q. And what address should be used regarding any elections or any matters regarding an order that may be entered by the Board?

A. Pine Mountain Oil and Gas, Inc., 406 West Main Street, Abingdon, Virginia 24210, Attention: Phil Horn, District Landman.

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

BILL HARRIS: Questions from members of the Board?

(No audible response.)

BILL HARRIS: Okay. You may continue.

DOUG TERRY

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Terry, again state your name, occupation and by whom you are employed?

A. Doug Terry, Petroleum Engineer, employed by Pine Mountain Oil and Gas, Inc.

Q. And are you familiar with this application?

A. Yes, I am.

Q. What is the total projected depth of this well?

A. 2,505 feet.

Q. And the estimated reserves?

A. 275 mmcf.

Q. Did you assist in the preparation of the AFE that was filed with the application?

A. Yes, I did.

Q. As to the estimated dry hole costs, what would that be?

A. \$123,938.

Q. And the completed well costs?

A. \$379,210.

Q. Did the...does the AFE include a reasonable charge for supervision?

A. Yes, it does.

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

A. Yes.

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

BILL HARRIS: Questions from Board members?

(No audible response.)

BILL HARRIS: This is in the standard drilling window...yeah, okay.

PHIL HORN: Yes.

TIM SCOTT: Yes, sir, it is.

BILL HARRIS: Okay. Any questions?

(No audible response.)

BILL HARRIS: Okay. Do you have anything further?

TIM SCOTT: No, sir.

BILL HARRIS: I'll entertain a motion.

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Like sign, no.

(No audible response.)

BILL HARRIS: I'm sorry. Opposed, like sign.

(No audible response.)

BILL HARRIS: And my vote was a yes. I did say no,
but that was by accident. Okay, I guess the motion passed.

TIM SCOTT: Thank you.

BILL HARRIS: Thank you.

PHIL HORN: Thank you.

BILL HARRIS: Are we continuing or what's
happening?

BOB WILSON: We have no lunch ordered. It's up to
you.

BILL HARRIS: I guess we will need to continue.
The next petition is from...do we need a break?

(No audible response.)

BILL HARRIS: Let's take about ten minutes.

(Break.)

BILL HARRIS: I guess we need to go ahead and get started. Okay, our next petition is from Equitable Production Company for pooling of coalbed methane unit VC-536835, Kenady, I believe that's pronounced, District, Dickenson County, Virginia, docket number VGOB-07-0717-1969. I'd like to ask all parties who wish to speak to this item to please come forward.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser and Don Hall on behalf of Equitable Production. Mr. Hall has already been sworn. As a matter of housekeeping, at this time, we'd like to ask the Board that docket number or item number twenty-three, which is 1969, the one just called, item number twenty-five 1971 and item number twenty-eight 1974 be continued until the August docket.

BILL HARRIS: Twenty-eight. Let me call those complete numbers. The first we've already called, that was item twenty-three. That was 07-0717-1969. The other two items that we're asking to be...that are being asked to be continued is a petition from Equitable Production for pooling

of coalbed methane VC-536866, Kenady District, Dickenson County, Virginia docket number VGOB-07-0717-1971 and the third is a petition from Equitable for pooling of coalbed methane unit VC-537190, Lipps District, Wise County, Virginia. That docket number is VGOB-07-0717-1974. If there are no objection, we'll---

MARY QUILLEN: I have a question.

BILL HARRIS: Yes.

MARY QUILLEN: Was this item twenty-three, twenty-four and twenty-eight.

JIM KAISER: No, ma'am. Twenty-three, twenty-five and twenty-eight.

MARY QUILLEN: Oh, I'm sorry. Thank you.

BILL HARRIS: Yes, twenty-three, twenty-five and twenty-eight are the three items.

BOB WILSON: Are these to be carried forward to August then?

DON HALL: Yes. We---

JIM KAISER: Do you want to explain why, Don? I told you he was going to be mad.

DON HALL: Yeah, I knew he would be. Just as late as yesterday, we discovered some discrepancies on the plats

for the first two, 6835 and 6866, that we need to correct. Then on the 7190, we just met with two parties that were unleased this morning and it appears that we're probably get a voluntary lease on both of those parties maybe as early as Friday. So, if we do that...I don't know when your publication date is, but maybe we could...if they become voluntarily leased, I can let you know and you won't have to publish it.

BOB WILSON: We'd still have to call it next time---

DON HALL: Okay.

BOB WILSON: ---and dismiss it at that point in time.

DON HALL: Okay. But anyway, we feel like they're probably going to lease.

BILL HARRIS: Do we still notice in that case? This is just a point of information for me. Do we still need to do that even though we---?

BOB WILSON: Only---

BILL HARRIS: We have to call it because it's continued, is that---?

BOB WILSON: Yes.

BILL HARRIS: Okay.

BOB WILSON: And the only extra notice required is the republication of the docket. They're not required to renotify when it's carried forward.

BILL HARRIS: Okay. That was just for my own personal information. Thank you. Any...any questions or comments?

(No audible response.)

BILL HARRIS: Okay, those will be continued then. We'll continue those. So, the next item then is item twenty-four. It's a petition from Equitable Production Company for pooling of coalbed methane unit VC-536602, Kenady District, Dickenson County, Virginia, docket number VGOB-07-0717-1970. We'd like to ask all of the parties who wish to speak to this item to please come forward.

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

BILL HARRIS: Let the record show, there are no others. You may continue.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

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

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

A. They do.

Q. Are you familiar with the application we filed seeking to pool any unleased interest in the unit for EPC well number VC-536602, dated June the 15th, 2007?

A. Yes.

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

A. We do.

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

A. Yes.

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

A. We have 85.21% of the gas estate leased.

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

A. A 100%.

Q. Were all unleased parties set out in B-3?

A. They are.

Q. So, that means 14.79% of the gas estate remains unleased?

A. That's correct.

Q. Okay.

(Jim Kaiser confers with Don Hall.)

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

A. That's correct.

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

A. Yes.

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

A. They are.

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 and 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 reasonable compensation to be paid for drilling rights within this unit?

A. They do.

JIM KAISER: Now, Mr. Chairman, as to the statutory election options afforded any unleased parties, which in this case is just Welmore in Tract...the gas estate in Tract 4, I would like to incorporate the testimony concerning those statutory election options and the time periods in which to make them and the ramifications thereof that was taken

earlier this morning in item number 05-0419-1441-01.

SHARON PIGEON: Docket number...which one?

JIM KAISER: That's the docket number.

SHARON PIGEON: The one, two, three? Which number---?

BILL HARRIS: Item---.

JIM KAISER: It was number five...number seven on the docket.

SHARON PIGEON: That was Don.

BILL HARRIS: Yeah, I was thinking that was not---.

JIM KAISER: It doesn't matter which one it was.

DON HALL: It was number eight on the docket.

BRUCE PRATHER: Yeah. Seven was Hard Rock.

JIM KAISER: I'm sorry, eight on the docket. Yeah.

BILL HARRIS: Number eight. Let's make sure...Mr. Hall, do you agree with using that information?

DON HALL: Yes.

BILL HARRIS: Okay. It will be incorporated.

JIM KAISER: That was number eight, right?

DON HALL: Right.

BILL HARRIS: I think it was item number eight, 1954 was the number.

JIM KAISER: Right. I'm sorry. 1954, that will be my reference going forward.

BILL HARRIS: Fine. We'll incorporate that.

Q. Let's see, Mr. Hall, what have we got here? The Board needs to establish an escrow account because of conflicting claims to the coalbed methane, is that correct?

A. That's correct.

Q. And that will be proceeds attributable to Tracts 1 through 4?

A. Yes.

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

A. Equitable Production Company.

Q. The total depth of the proposed well?

A. It's 2839 feet.

Q. Estimated reserves for the 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 completed well costs?

A. The dry hole cost is \$156,966 and the completed well cost is \$385,008.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BILL HARRIS: Any questions from Board members?

(No audible response.)

BILL HARRIS: Okay. You may continue.

JIM KAISER: We'd ask that the application be

approved as submitted.

BILL HARRIS: Do we have a motion?

BRUCE PRATHER: Move to approve.

MARY QUILLEN: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Motion passed. Thank you. The next item, it's item twenty-six, a petition from Equitable Production Company for pooling of coalbed methane unit VC-537688, Lipps District, Wise County, Virginia, docket number VGOB-07-0717-1972. We'd like to ask all of the parties who wish to speak to that item to come forward.

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

BILL HARRIS: There are no others, so we'll continue.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Now, Mr. Hall, 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 interest owners in the unit and an attempt made to work out a voluntary lease agreement?

A. Yes.

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

A. We have 98.12% leased.

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

A. Also, 98.12%.

Q. So, these are fee mineral tracts?

A. Yes.

Q. Okay. So, 1.88% of both the gas and coal estate remain unleased at this time?

A. That's correct.

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

A. No.

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 in Exhibit B-3?

A. Yes.

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

A. Yes.

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

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

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

A. They do.

JIM KAISER: Now, Mr. Chairman, again, I'd ask that the testimony taken in docket number 1954 previously regarding the statutory election options afforded any

unleased parties be incorporated for purposes of this hearing.

BILL HARRIS: It will be incorporated.

Q. Mr. Hall, the Board in this case, because they are fee mineral tracts, has no conflicting claim and there's no unknowns, 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. Equitable Production Company.

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

A. It's 2291 feet.

Q. Estimated reserves for the unit?

A. 120 million cubic feet.

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

A. Yes.

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

A. It does.

Q. Could you state both the dry hole costs and

completed well costs for this well?

A. The dry hole cost is \$130,740 and the completed well cost is \$343,741.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BILL HARRIS: Any questions from Board members?

BRUCE PRATHER: Is this a Roaring Fork well?

DON HALL: Yes.

JIM KAISER: It is?

DON HALL: Uh-huh.

JIM KAISER: It's a 58 acre unit.

DON HALL: It's in Wise County.

JIM KAISER: Oh. (Inaudible).

BILL HARRIS: Let me ask you about the plat. The location, I guess we're outside of the window there?

DON HALL: Yes.

BILL HARRIS: And I think I've asked this before, this is just for my information, adverse surface, what...could someone tell me what that means?

DON HALL: It means it's adverse to the coal company. See all of those houses?

BILL HARRIS: Yes.

DON HALL: That's the Community of Crane's Nest.

BILL HARRIS: Uh-huh.

DON HALL: The well is on a strip bench running through the northeast corner of the unit there and that adverse surface over there just means it's not...we really don't need to put that on there because we're not on that property, but---

BILL HARRIS: Oh, okay.

DON HALL: ---all of those houses are on...are adverse to the coal company, to Hartwood.

BILL HARRIS: Is that by...well, let me not get

into that. Okay, okay, thank you then. I just was curious about that terminology.

DON HALL: I'm not sure why they even put that on there.

BILL HARRIS: Yeah, I mean, that's a place you won't be drilling?

DON HALL: Right, yeah. Right.

BILL HARRIS: Do you have anything further?

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

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: I'll second the motion. I probably shouldn't because I'm going to have to abstain.

BILL HARRIS: Well, I'm not sure---

SHARON PIGEON: He should not second it.

BILL HARRIS: No, you shouldn't second it then.
Mrs. Dye?

KATIE DYE: I'll second it.

BILL HARRIS: Okay. Mrs. Dye is seconding.

BRUCE PRATHER: Okay.

BILL HARRIS: Okay. Thank you. Yeah, you

shouldn't do that. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes, but Bruce Prather.)

BILL HARRIS: Opposed, like sign.

BRUCE PRATHER: Abstain.

BILL HARRIS: One abstention, Mr. Prather. The motion passed, okay. The next item, a petition from Equitable Production Company for pooling of coalbed methane unit VC-537649, Kenady District, Dickenson County, Virginia, docket number VGOB-07-0717-1973. We'd like to ask all parties who wish to speak to this item to come forward.

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

BILL HARRIS: The record will show that there are no others.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes, Mr. Wilson.

BOB WILSON: I believed you called the item...the docket number that was continued, which was item number twenty-eight.

BILL HARRIS: I think called twenty-seven. I may not have, but let me...do I need to recall...1973 was the---?

BOB WILSON: No, I think you're okay. I'm sorry.

BILL HARRIS: Okay.

JIM KAISER: Are you ready?

BILL HARRIS: I think we're ready, yes. Go ahead and proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS 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 our application seeking to pool any unleased interest within this unit?

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 owning

an interest and an attempt made to work out a voluntary lease agreement?

A. Yes.

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

A. We have 93.23% leased.

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

A. A 100%.

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

A. They are.

Q. So, the interest that remains unleased is 6.77% of the gas estate?

A. That's correct.

Q. Okay. Now, before we get pass this point, you've got...the Board will notice in our Exhibit B, we've got...both in Tract 5 and 6 we've got Susan Kennedy, et al or Willie Rose and then we've got Robert Kennedy or David French, et al. Can you explain why the exhibit is structured that way?

A. Those overlaps of descriptions of the property. We're not sure which one is the correct

description, so we create...it's an overlap area that we've indicated.

Q. Okay. In this particular unit, we do not have any unknowns, do we?

A. No.

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

A. Yes.

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

A. That's correct.

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

A. Yes.

Q. Would you again 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 within this unit?

A. Yes.

JIM KAISER: Okay. Again, Mr. Chairman, as to our one unleased party, Mr. Jack Rose, from the gas estate, I would ask that the testimony taken in docket number 1954 previously regarding his statutory election options be incorporated for purposes of this hearing.

BILL HARRIS: It will be incorporated.

Q. Now, Mr. Hall, in this particular unit, we do need to establish an escrow account for the proceeds for the entire unit, correct, at least Tracts 1 through 11?

A. I believe that's correct. Yes.

Q. 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 2461 feet.

Q. Estimated reserves over the life of the unit?

A. 330 million cubic feet.

Q. And 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 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. Dry hole cost is \$134,855 and the completed well cost is \$341,626.

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.

BILL HARRIS: Questions from members of the Board?

(No audible response.)

BILL HARRIS: Let me just ask about these ors that are, I guess, in Tract 5. Now, what creates that type of situation. I mean, there are two ors. I mean, there's not necessarily three groups of people, but three different scenarios.

DON HALL: Well, you plot up a description of a piece of property that someone owns and the adjoining property doesn't follow the same line.

BILL HARRIS: Okay.

DON HALL: It goes over on the other side. So, we're not sure which is the good line. So, we leave that between the two parties to decide who owns it. I mean---

BILL HARRIS: Now, the or though...I'm not...I'm not...there are two ors. So, there's---

DON HALL: Well, there's two tracts that have overlaps.

JIM KAISER: Five and six, seven or eleven.

BILL HARRIS: Five and six?

DON HALL: Five and six.

BILL HARRIS: Yeah, okay. Okay, yeah. But that second...okay. Okay, I think I see it now. Okay, okay.

Thank you. Any other questions?

(No audible response.)

BILL HARRIS: Anything further?

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

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Okay. Any...I'm sorry. All in favor, say...I'm sorry, any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: All right. Thank you. The motion passed. We'll skip to twenty-nine. A petition from Equitable Production Company for a well location exception for proposed well V-536729, Kenady District, Dickenson County, Virginia, docket number VGOB-07-0717-1975. We'd like to ask all parties who wish to speak to this item to come forward.

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

BILL HARRIS: The record will show there are no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. They do.

Q. Are you familiar with the application we filed seeking a location exception for well V-536729?

A. Yes.

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

A. They have.

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

A. Equitable has a 100% leased.

Q. And does Equitable have the right to operate any reciprocal wells, that being the wells that we're seeking

an exception from?

A. Yes.

Q. Are there any correlative rights issues?

A. No.

Q. Explain for the Board, in conjunction with the exhibits that you just handed out, why we're seeking this exception.

A. Again, the exhibit that I passed out, you'll see the subject rail in black there in the middle of the exhibit and then see the circles, the 2500 foot radius circles from adjoining wells, there from the reciprocal wells. Two of those wells are less than 2500 feet apart. That being B-12 to the north and P-10 to the east. Of course, 6760...to the west and 6760 to the east. Those circles are 2500 foot radius. If you look very, very closely you can see a very small area that a well could be...that 2500 foot could be...a distance could be made from each well. But that particular spot happens to be in the middle of the road. So, the spot that we...for practical matters, there's no legal place to put the location except in the middle of Rt. 651.

Q. Again, you operate all of the reciprocal

wells and there's no correlative rights issues?

A. That's correct.

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

A. 325 million cubic feet.

Q. And the total depth of this proposed well?

A. 480...4873 feet.

Q. And is Equitable requesting a location exception to cover convention gas reserves to include the formations designated in the application from the surface to the total depth drilled?

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for V-526729?

A. Yes.

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

BILL HARRIS: Questions from members of the Board?

(No audible response.)

BILL HARRIS: Let me just ask a quick one about the P wells. Are those older wells?

DON HALL: Those were...when we started drilling gas wells in '73 that was the number extension we used. They're still...we've changed number systems about three or four times. But we don't go back and renumber the old wells. Those are just---

BILL HARRIS: Are they still producing?

DON HALL: Oh, yeah, they're still producing.

BILL HARRIS: Thank you. Anything further?

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

BILL HARRIS: Is there a motion?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second.

BILL HARRIS: Second, okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. Motion passed. Our next item is a petition from Clara R. Smith, Executrix of the Estate of James O. Smith for disbursement of funds from escrow and authorization of direct payment of royalties on Tract 4, unit VC-50433...I'm sorry, 46...let me, unit VC-504637, Kenady District, Dickenson County...Dickenson, Virginia, docket number VGOB-01-Z...I can't talk here...VGOB-01-1016-0968-01. We'd like to ask for those folks wishing to speak to this item to please come forward.

JIM KAISER: Jim Kaiser on behalf of Equitable Production Company. This is a miscellaneous petition to have the proceeds attributable to...that have been in escrow that are attributable to Tract 4 paid to Ms. Smith. Do you see the letter from Pine Mountain that's with the file? We also actually have a completely squared up figure between Equitable's figures and the bank's figures in this case. So, we would ask that Ms. Clara R. Smith, as Executrix of the James O. Smith Estate, be...that the Board disburse \$452.80 to her and that any future royalty payments be disbursed directly to her and not go to escrow.

BILL HARRIS: Questions from Board members?

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes, Mr. Wilson.

BOB WILSON: You said to pay \$452.80 to her.

Is...presumably, this escrow account is still active, is it not? The well is still producing?

JIM KAISER: Yeah.

BOB WILSON: Then, basically, we would need to pay on a percentage of escrow basis rather than paying out that specific amount because that will obviously have changed since you did your accounting.

JIM KAISER: I'm not sure I'm following you.

BOB WILSON: You...your testimony, if I understood it correctly, said that we should...the escrow agent should pay to Ms. Smith \$452.80. That number should have increased since you did your accounting with further interest---

JIM KAISER: Well, yeah. Whatever is in there then. I mean---

BOB WILSON: So...yes. We need to pay according to the percentage of escrow that she has rather than that specific amount.

SHARON PIGEON: Do you have accounting as to what has been paid in?

JIM KAISER: Yeah, it should be...it's attached to the application.

BRUCE PRATHER: What's...what's date on the accounting?

JIM KAISER: That I don't know. It must be the most recent one we could get though.

SHARON PIGEON: Do you have anything from Ms. Smith that gives you the authority to present this on her behalf? She has not signed anything that I have in front of me.

JIM KAISER: Well, she must have contacted somebody at Equitable and you all have by statute are making the operator do this now instead of that person. So---

SHARON PIGEON: Yeah. But---

JIM KAISER: I mean, I don't really care. If you don't want to pay her the money, I don't care.

SHARON PIGEON: It appears that you should be the applicant as opposed to---

JIM KAISER: We are the applicant. Well---

SHARON PIGEON: Not if you're---

JIM KAISER: ---I don't know why it's styled that way. Well, then, okay, let's just change that to Equitable is the applicant.

BOB WILSON: Excuse me. The statute basically requires the operator to file the application on behalf---

JIM KAISER: On behalf of.

BOB WILSON: ---of the recipient. Presumably, you would provide notification to these folks...all parties have been notified of today's hearing.

JIM KAISER: Here's the green card. See, she's the owner...this is, obviously, a conflicting claim to the coalbed methane. She's the owner of the gas estate in Tract 4. She cut a deal with Pine Mountain, there's a letter attached to what you've got there too, whereby, they agreed to a permanent split of the royalty going forward of 75/25. Then, she must have contacted us in accordance with the statute and said, "Please get this money out for me." That's what we're doing.

BILL HARRIS: Well, I guess there's a couple of things that I'm not sure procedure wise if we have all of that in place. I know the other thing is what Mr. Wilson mentioned is that usually we don't state a dollar amount. We state a dollar amount as of a certain date. But generally there is a percentage of future escrowed amount or pay directly to that person. I guess we would pay directly to

that person. In fact, that's what the letter authorizes. But that would be part of your motion though, wouldn't it, that we make future---?

JIM KAISER: Yeah, I would ask that going forward 75% of the royalty be paid to her and 25% to Pine Mountain.

BILL HARRIS: Okay. I still don't know...are we...where are we...yes, Ms. Quillen.

MARY QUILLEN: I have question because it refers to..."Enclosed is a copy of a letter dated January 23."

BILL HARRIS: Yeah. We don't have that.

MARY QUILLEN: I think that's---.

BILL HARRIS: That's what we need really for---.

MARY QUILLEN: Yeah, there's no letter attached.

Do you have---?

JIM KAISER: Where are you seeing that?

MARY QUILLEN: In this letter from---.

BILL HARRIS: From Pine Mountain.

MARY QUILLEN: ---Pine Mountain to---.

BILL HARRIS: Yeah, Nikki Atkinson.

MARY QUILLEN: ---yeah, Nikki Atkinson. It says, "Enclosed is a copy of a letter dated January 23 from Pine Mountain Oil & Gas and Clara R. Smith, Executrix of the

Estate of James O. Smith, deceased." That says where they have agreed on the split and da, da and da. But there's no copy of the letter enclosed. That's what we were asking, I believe. Is that right? That letter from---

JIM KAISER: From her?

MARY QUILLEN: Uh-huh.

JIM KAISER: You got a copy of the Pine Mountain letter but not the letter from her?

MARY QUILLEN: Right. Yeah.

JIM KAISER: I don't have a copy of it in the file.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes.

JIM KAISER: If you don't want to do it, I don't care.

BOB WILSON: I don't think that any of this is a mess. But we need to be consistent with what we're requiring from each operator. We had an earlier one today in which we accepted the operator's testimony about the agreement, but we did not require a copy of the agreement. So, again, my...I won't even get into the question of what you wish to require. But I do think we need to make sure that we're consistent from one operator to the other.

SHARON PIGEON: Is Mr. Horn here?

BILL HARRIS: Mr. Horn is still here.

JIM KAISER: Mr. Horn is here.

SHARON PIGEON: Maybe if you called him and have him testify to some of this. But right now we don't have anything but you showing up. We don't have anything that even establishes Clara Smith has an official position in James O. Smith's Estate.

JIM KAISER: Well, you've got an Exhibit B. I'm sorry, E, I guess.

PHI HORN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Phil Horn. I'm District Landman for Pine Mountain Oil and Gas, Inc.

Q. Okay. And are you familiar with a...have you seen a letter dated January the 23rd, 2007 between Pine Mountain Oil and Gas and Clara R. Smith, Executrix of the Estate of James O. Smith where you agreed to split any

royalty attributable to Mr. Smith's Estate's interest in the gas estate in Tract 4 in the unit for well VC-504637 on a 75/25% basis?

A. Yes. I prepared that letter agreement and I signed it and mailed it to Ms. Smith in Roanoke and she signed it and returned it notarized and then I forwarded it to Equitable. It's the basis of the royalty split.

Q. Okay. Are you in agreement with what we're trying to do today as far as disbursement of this money?

A. Well, we do know that she just has an undivided interest, is that correct?

(No audible response.)

MR. HORN: Okay. Yes. But is our interest getting release too or just hers? I mean, that's one question I do have. Ours is in escrow also.

JIM KAISER: Yeah, I think. Well, I think we're just---

MR. HORN: Releasing---

JIM KAISER: ---releasing hers. Asking that hers be released. I guess, you have to file your own petition.

MR. HORN: We do, huh?

JIM KAISER: Well, I don't know. I don't care. We

can release them both. I mean, you're making this way more complicated than it needs to be.

MR. HORN: For a fourth of \$452.

JIM KAISER: Yeah.

MR. HORN: But Ms...she's elderly. She lives in Roanoke. So, I'm sure she wouldn't able to attend today. But we did enter into a letter agreement back in January, as stated here.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes.

BOB WILSON: If, in fact, there are to be two disbursements, I would certainly prefer to do it under one order at one time. I'm not sure what procedure you need to follow to do that. But if it...if it needs to be carried forward for a modified application or whatever, I would encourage that rather than having to come back to get Mr. Horn's fifty cents later on.

SHARON PIGEON: Jim, where on Exhibit E were you directing me earlier for Mr. Smith and---?

MARY QUILLEN: It's not on Exhibit E.

JIM KAISER: It would be the Ollie J. Smith, Tract

4.

SHARON PIGEON: Anderson, Indiana.

JIM KAISER: Right.

SHARON PIGEON: Not Abingdon, Virginia.

MR. HORN: Yes, it's Tract 4. I think there's six owners. There's six owners. No, that's not Ollie. She---

JIM KAISER: She's the Executrix for the Estate of James O. Smith.

MR. HORN: James O. Smith.

JIM KAISER: So, that's got to be it.

MR. HORN: No, she...that's somebody different.

BILL HARRIS: Is that Ollie J?

JIM KAISER: Well, then where is it?

MR. HORN: It's not on there.

MARY QUILLEN: It's not on here.

MR. HORN: Her part...it doesn't look like it.

MARY QUILLEN: It's just over here on page---

MR. HORN: Is it back in the back?

MARY QUILLEN: But it doesn't...it just says---

BILL HARRIS: Well, the page prior to that has Exhibit at the top and has their name and address in Roanoke, but not---

MARY QUILLEN: But that's all.

JIM KAISER: I'm not going to do these any more. I'm done with them. Don, you're going to have to do them. I'm not doing them anymore. Yeah, we'll just continue it.

BILL HARRIS: Yeah, I think there's a lot of unanswered questions. I guess what we need is...it would help to have, I guess, a copy of the letter or something with her signature or something that she attests---

JIM KAISER: A royalty split agreement. Is there an actual royalty split agreement or just---

MR. HORN: Yeah, it's attached to that cover letter that you had that I sent to Nikki Atkinson.

JIM KAISER: Okay.

MR. HORN: Yeah, there's a...our standard...and I just wanted to alert the Board that there's more and more of these coming. We're doing more and more royalty splits as people contact us. Actually, Equitable contacts...the people contact Equitable and Equitable tells them to contact us. So, there's going to be---

JIM KAISER: I'm done.

MR. HORN: There's going to be more and more.

BILL HARRIS: But we need...well, for those more and more we need, I guess, some verification that the

agreement is actually signed by those folks.

MR. HORN: Well, I mailed a copy of the signed letter to Pittsburgh.

BILL HARRIS: Okay. Well, but I mean do we---?

SHARON PIGEON: We need that here.

BILL HARRIS: We need that here, I guess. Also, if you're talking about Pine Mountain...if it is royalty split agreement, I guess, what we're saying is that you're asking for your percent of that?

MR. HORN: No, I just asked the question if our 25% was being released on these releases. This is the first that I've really seen...I mean, I've seen them on the docket.

BILL HARRIS: Yeah.

MR. HORN: That's just a question I asked because some of these are going to be sizable in the future. There's forty or fifty thousand dollars in some of these that we're splitting.

BILL HARRIS: Yeah. Well, but from what I understand is that this money is being requested to be released to her and not to Pine Mountain even though there's an agreement. I don't think it automatically means that Pine Mountain gets their other percent.

MR. HORN: Okay.

BILL HARRIS: So, I'm not sure what mechanism...Mr. Wilson, is there a---?

BOB WILSON: I would think that we would need an amended application to be sent as notification to all of these respondents, which would just be Pine Mountain and Ms. Smith or Ms. Smith indicating that the disbursement is to be all funds attributable to that interest, they're in conflict, being Ms. Smith and Pine Mountain. Otherwise, basically, there will be no authorization for you to even receive royalties...for Pine Mountain to receive future royalties out of this. So, both parties need to be included in the agreement. I point out that under the statute that was passed last year it is the unit operator's responsibility to get all of this stuff squared away and to do notice and to make sure that everything is here that needs to be done for the disbursement. Without getting too deeply into it, I think possibly it's something some of the operators need to take a little more seriously when they're getting into it. One other thing or comment I would make to the Board, we are developing a consistency problem here because we have just told these folks that they need to bring with them their

agreement. We have not told the other applicants for disbursement that they need to do that and we have approved disbursements without that. So, again, an argument that I don't want to get into, but we need to be consistent on that.

SHARON PIGEON: Well, there's a distinction here, I believe in that this individual as the Executrix of an Estate that we don't see her name anywhere before. They've had a name that was already listed on documentation in the file. If James Smith agreed and James Smith was listed as a property owner, that was perhaps a distinction where we have now Tom Jones getting the money for James Smith's Estate. So, there's that tie in there that we need.

JIM KAISER: I've got a question. Is it the Board's position that for the operator to file these and to get these done that it has to be done by Counsel?

BOB WILSON: I can't answer that.

SHARON PIGEON: Yes.

BILL HARRIS: But I do...and to add to that, again, there should be language there concerning the percentage. That the payout is based on that percentage and also that future royalties---

JIM KAISER: Yeah, my guess is that figure probably

represents 75% of what's in the escrow. I'm not sure, but it's my guess.

BILL HARRIS: At that time, at that date.

SHARON PIGEON: What was in there at one point.

BILL HARRIS: Yeah, but see that...if we were to approve that---

JIM KAISER: Well, that's going to present another problem because, I mean, what's going to be your date? The last day of the month before the hearing.

BILL HARRIS: Well, the last date that you have a statement, I guess, that you can show that there's some balance there. But, again---

SHARON PIGEON: And from that point, it will be the percentage.

BILL HARRIS: But the percentage doesn't change. The amount would change.

BRUCE PRATHER: It carries on.

BILL HARRIS: The percent---

BOB WILSON: The number amounts that we have used in these things traditionally have just been as a secondary check to make sure that you're in the ballpark. They actually have no real meaning insofar as the distribution is

concerned. But it's a number that individuals who are being notified can look at and say, "Yeah, that looks about right." But we then have to disburse according to the percentage of escrow for that individual sub-account.

SHARON PIGEON: And that figure serves as a check for the operator as to what they've paid in as of that date. That coincides with their records and they can then testify, "Yes, according to our records that figure is accurate with the bank."

JIM KAISER: All right. So, we'll continue that one until next month and see if we can't get that straight.

BILL HARRIS: So, that item will be...okay, thank you.

MR. HORN: Thank you. Our next item is a petition from Hard Rock Exploration, Inc. for creation and pooling of a conventional gas unit HRVAE #18, South Grundy District, Buchanan County, Virginia, docket number VGOB-07-0717-1976. We'd ask those parties wishing to speak to that item to come forward.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser, Jim Talkington and Jim Stephens on behalf of Hard Rock Exploration. We'd ask that the other two Jims be sworn.

(Jim Talkington and Jim Stephens are duly sworn.)

BILL HARRIS: There are no others. So, let's go ahead and continue.

JIM TALKINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Jim Talkington, Landman, Hard Rock Exploration.

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

A. Yes, they do.

Q. Are you familiar with Hard Rock application to establish a drilling unit and pool any unleased interest in that unit dated June 15, 2007?

A. Yes.

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

A. Yes, they were.

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

A. Yes, they do.

Q. And what percentage of the unit is under lease to Hard Rock?

A. 90.1.

Q. So, at this time 90.9% remains unleased?

A. That is correct.

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

A. Yes.

Q. And we don't have any unknown entities owning an interest in the unit, correct?

A. Correct.

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

A. Yes.

Q. Are you requesting the 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. I am.

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

A. A five dollar bonus, a five year term and 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. Yes.

JIM KAISER: Now, based upon the entities that remain, the 90.9% that remains unleased, I would like to, Mr. Chairman, incorporate the election option testimony that was taken earlier in item number seven on the docket, which is 1441-01, which was a Hard Rock force pooling.

BILL HARRIS: And that goes with Mr. Stephens also?

JIM KAISER: Yeah.

BILL HARRIS: Do you agree to using that testimony?

JIM STEPHENS: Yes, sir.

BILL HARRIS: Okay. It will be incorporated.

Q. Mr. Talkington, the Board does not need to establish an escrow account for this unit?

A. That's correct.

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

A. Hard Rock Exploration, Inc.

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

BILL HARRIS: Any questions from Board members?

(No audible response.)

BILL HARRIS: You may continue.

JIM STEPHENS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Stephens, again, your employment capacity.

A. I'm the President of Hard Rock Exploration.

Q. The total depth of this proposed well?

A. 6700 feet.

Q. The estimated reserves?

A. 300 million.

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

A. Yes.

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

A. Yes.

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

A. The dry hole costs are \$229,360. The completed well costs are \$456,459.

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.

BILL HARRIS: Questions from Board members?

(No audible response.)

BILL HARRIS: Continue then.

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

BILL HARRIS: Do we have a motion?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. Motion passed. The item is a petition from Hard Rock Exploration, Inc. for creation and pooling of conventional gas unit HRVAE #20, South Grundy District, Buchanan County, Virginia, docket number VGOB-07-0717-1977. We'd like to ask those folks who wish to speak to this petition to come forward.

JIM KAISER: We have some revised exhibits for you.

I'll get you B-2. We do not have a B-2 in here dismissing the additional lease parties that we picked up. We have a revised B and a B-3. There should be a B-2 in there, which I'll get you. Again, Jim Kaiser, Jim Stephens and Jim Talkington.

BILL HARRIS: Okay. There are no others. You can proceed.

JIM TALKINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

Q. Are you familiar with the application we filed seeking to establish a unit and pool any unleased interest?

A. Yes.

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

A. Yes.

Q. In fact, I guess, since the time of the filing of the application, we obtained a lease from the owner of Tract 3, Mr. Harold Mitchell?

A. That's correct.

Q. Okay. And the revised exhibits reflect that. We will file a B-2 to show the dismissal of Mr. Mitchell from this...a jurisdiction of the order or this application. So, at this point in time, the percentage under lease to Hard Rock in the unit is 69.83%?

A. That's correct.

Q. Okay. And the percentage that remains unleased that's reflected on the revised Exhibit B-3 would be 30.17%, correct?

A. That's correct.

Q. Okay. And we don't have any unknown entities?

A. No.

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

A. Yes.

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

A. Yes.

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

A. Yes, I am.

Q. Again, advise the Board as to what those are?

A. A five dollar bonus, a five year term and 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. Yes, they do.

JIM KAISER: Again, Mr. Chairman, with your permission and Mr. Stephens agreement, I would like to incorporate the statutory election option testimony taken previously in 1441-01 earlier today.

BILL HARRIS: Is that agreeable with you?

JIM STEPHENS: Yes, it is.

BILL HARRIS: Yes. Okay, that will be incorporated.

Q. Mr. Talkington, we do not...the Board does not need to establish an escrow account for this unit, correct?

A. Correct.

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

A. Hard Rock Exploration, Inc.

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

BILL HARRIS: Any questions from Board members?

BRUCE PRATHER: I have a question.

BILL HARRIS: Yes, Mr. Prather.

BRUCE PRATHER: What do the asterisks in front of Chesapeake and CNX? What do those refer to?

JIM KAISER: That just means they're an adverse lessee. In other words, they have a conventional oil and gas lease on those tracts.

BILL HARRIS: You may continue then.

JIM STEPHENS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Now, Mr. Stephens, what's the total depth of the proposed well?

A. 6700 feet.

Q. Estimated reserves?

A. 300 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. Yes.

Q. What are the dry hole costs and the completed well costs for this well be?

A. The dry hole costs are \$229,360 and the completed well costs are \$456,459.

Q. Do these costs anticipate a multiple completion?

A. Yes, it does.

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.

BILL HARRIS: Question from Board members?

(No audible response.)

BILL HARRIS: Okay, you can continue.

JIM KAISER: We'd ask that the application be approved as submitted with the revised Exhibits and the Exhibit B-2 that will be submitted to Mr. Wilson.

(Bill Harris and Sharon Pigeon confer.)

BILL HARRIS: Any questions from Board members?

(No audible response.)

BILL HARRIS: Do we have a motion concerning this item?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Second.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Motion passed. Thank you.

JIM STEPHENS: Thank you.

JIM TALKINGTON: Thank you all.

BILL HARRIS: Thank you. The next item is...let's see that was...a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 82637-A...78, I'm sorry, Knox District, Buchanan County, Virginia, docket number VGOB-07-0717-1978. We'd like to ask all those parties wishing to speak to this item to come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Stan Shaw on behalf of Chesapeake Appalachia, LLC.

BILL HARRIS: Let the record show there are no others. You may proceed.

JIM KAISER: Mr. Shaw, if you would state your name for the Board, who you're employed...oh, I'm sorry. Swear him in.

(Stan Shaw is duly sworn.)

STAN SHAW

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Stan Shaw. I'm employed by Chesapeake Appalachia, LLC as a reservoir engineer.

Q. And do your responsibilities include the land involved in this unit 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. Could you indicate for the Board the ownership of the oil and gas underlying the unit for well

number 826378?

A. Chesapeake Appalachia has 100%.

Q. And does Chesapeake Appalachia have the right to operate any reciprocal wells, that being the wells that we're seeking this exception from?

A. We do.

Q. Are there any correlative rights issues?

A. No.

Q. Could you explain for the Board, in conjunction with the exhibit that you just handed out, why we're seeking this exception?

A. This well is basically going to be an infill well. It has been pre-approved by coal and it's adjacent to active mining. Well 826378 is at the base of one of the green fingers of the field or the middle of the map. We could have moved it further northeast and gotten 2500 feet away from existing well 825684, but it would have been on unstable soil. So, we didn't want to do that. The other two wells will be permitted first, but they're proposed wells. They haven't been drilled. But they were also...the one to the north, 826379, we wanted to keep out of (inaudible) and the other one is on a ridge and we can't go due to terrain

issues. We're infilling in between these three wells.

Q. So, due to active mining works, topography and safety reasons with the stability of the other potential locations, that's basically why we're seeking this exception?

A. That's correct.

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

A. 300 million cubic feet.

Q. The total depth of the proposed well?

A. 6,610 feet.

Q. And is Chesapeake requesting this 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 826378?

A. Yes.

JIM KAISER: Nothing further of this witness at

this time, Mr. Chairman.

BILL HARRIS: Questions from members of the Board?

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes, Mr. Wilson.

BOB WILSON: As I look at the exhibit that you handed out with this proposed well and the one existing well and two additional proposed wells, this seems like it is strictly a location exception to drill at basically half of what's mandated by the statewide spacing. It doesn't appear to be based on location or anything of that sort. Is that indeed what you're aiming at here?

STAN SHAW: Half the spacing? No, it's almost at 2500 feet. I have the distances. This well will be 2,406 feet from existing well 825684. That circle in there is a 2500 foot radius and not 1250.

BRUCE PRATHER: Is this thing an inch to a thousand?

STAN SHAW: It's off a little. That circle is close to (inaudible)---.

BRUCE PRATHER: I mean, I've got an inch to thousand here and it shows that between those two proposed wells are 378 and 461. It's only about 1900 feet according

the scale on this map. Between 378 and 379 is 2,000 feet, if the scale is correct.

STAN SHAW: Between 378 and 379 is 2,209 feet. The scale is...when it was created by the surveyor, I'm sure it was an inch and then it went into Adobe and then it has been printed. It's...I think circle measures probably four and a half inches. It should measure five inches. So, whatever area that would be.

BRUCE PRATHER: From the proposed well, out to the outskirts of that circle is about 2250.

STAN SHAW: So, it's about 90%.

BRUCE PRATHER: Yeah.

BOB WILSON: If these...if these are 2500 foot circles, than the distance between 826378 and 825684 is going to be about 1250 feet and not 2500 feet.

STAN SHAW: It's a 5,000 foot circle and 2500 foot radius.

BOB WILSON: Oh, I'm sorry. A 2500 foot radius.

STAN SHAW: I should have said that earlier.

BOB WILSON: I'm sorry. I'm sorry. Okay. Okay.
Okay.

MARY QUILLEN: Is the one that we have in this, is

this one more accurately to scale than this---?

JIM KAISER: It's a different scale. There are two different scales.

STAN SHAW: Yeah.

MARY QUILLEN: But if you use this, like 291 feet closer in there and 469 this way and 94 between this one, is that---?

STAN SHAW: That's correct.

JIM KAISER: That's correct.

STAN SHAW: Would you like me to read the distances?

BOB WILSON: Yeah. I can see...I'm going to come over and ask you a question. Mr. Chairman, do you mind?

BILL HARRIS: Oh, no, no.

(Bob Wilson, Jim Kaiser and Stan Shaw confer.
Board members confer among themselves.)

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes.

BOB WILSON: I am satisfied. I was reading this entirely wrong. So, I have no issues. Well, I have issues, but---.

(Laughs.)

BOB WILSON: ---nothing you guys can help me with.

(Laughs.)

BILL HARRIS: Okay. Let me just ask a general information question since we're asking questions, the green area, I'm just curious, Valley Field, is this like where overburden and excess is just dumped? Is there technical definition?

MARY QUILLEN: That's a reclamation project.

BILL HARRIS: Oh.

MARY QUILLEN: It's where they reclaim the surface mining.

BILL HARRIS: And they call it Valley Field or is that what it was originally?

STAN SHAW: I believe that's waste or spoil from strip mining. The surveyors provided that information. I haven't actually seen it. But not all of that green area is fields. It's just a permitted mining area.

BILL HARRIS: Thank you. Well, I'm not sure how to ask. I'm just looking at the upper northeast quadrant of that circle that you drew where, you know, you have some green in that, but we're at a depth though that's below that, is that correct?

STAN SHAW: Yes.

BILL HARRIS: I guess what I'm asking, you're not going to have a dead area up there or shouldn't have a dead area there?

STAN SHAW: No, they actually goes into West Virginia and across the state line.

BRUCE PRATHER: Is that area presently under bond or has the bond been released for the coal?

STAN SHAW: I believe it's an active permit.

BRUCE PRATHER: They will let you have a ride away through that bonded area?

STAN SHAW: We get them.

BRUCE PRATHER: Okay.

BILL HARRIS: Okay. Any further discussion or questions?

(No audible response.)

BILL HARRIS: Okay, you can continue if you have something further.

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

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: I second.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. And we're down to number thirty-four. I have two folders.

SHARON PIGEON: I don't have one.

BILL HARRIS: Oh, okay. I'll give you one of those. It's probably the other one. Item...the petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 826381, Knox District, Buchanan County, Virginia, docket number VGOB-07-0717-1979. We'd ask all parties who wish to speak to this item to come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Stan Shaw, again, on behalf of Chesapeake Appalachia.

BILL HARRIS: There are no others, so you may continue.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, are you familiar with the application that we filed seeking a location exception for this well?

A. I am.

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

A. Yes.

Q. Now, in this particular case, we either have the oil and gas under lease or we have an application that we're filing for this unit for force pooling for the August docket, right?

A. That's correct.

Q. Okay. Does Chesapeake have the right to operate all of the reciprocal wells?

A. We do.

Q. Were there any correlative rights issues?

A. No.

Q. Okay. Again, in explaining in the difference in scale between the well plat and the exhibit, can you explain why we're seeking this location exception?

A. On this exhibit, there's three circles 2500 foot radius. Again, this scale has been distorted from an inch to a thousand. Our spacing from...from well 826381 to existing well 824992 is 1861 feet and from well 825689 is 2,124 feet. There's a topo background that's very faint on this exhibit. Well 826381 would need to move south to get it 2500 feet from existing wells. That place it on a slope of 58%. Way to steep to build a safe location and it would be right overtop of some houses along Rt. 643.

Q. Which would be...there's lots that you see sort of to the southwest of that location?

A. Yeah, on the well plat.

Q. On the well plat, right?

A. Yeah.

JIM KAISER: Any questions regarding the exhibit in this case?

BRUCE PRATHER: I have a question. Is the road coming in from Rt. 689 over the proposed well 381? Along that ridge, is that where the road is going to be?

STAN SHAW: I don't recall.

BRUCE PRATHER: Okay.

STAN SHAW: I've looked through that and I do not

recall.

BRUCE PRATHER: That's what it looks like. There's a ridge going down through there.

BILL HARRIS: Out to 689, do you mean?

BRUCE PRATHER: Yeah, 689.

BILL HARRIS: To...actually, there are some numbers that look like little bench mark numbers or something.

BRUCE PRATHER: Yeah.

BILL HARRIS: Is there a particular reason why we have two different scales? One is the 1250, I guess. Not scales, but two different...the plat, one is 1250 and the other is, I guess, 25.

STAN SHAW: Yeah, the 1250 would set the unit and the 2500 is more of set of spacing.

BILL HARRIS: For spacing. I don't know if---

BRUCE PRATHER: I'm not too sure if this isn't xerox problem.

STAN SHAW: It's between that and Adobe Acrobat.

BRUCE PRATHER: Yeah.

BILL HARRIS: Yeah, there's definitely a reduction in scale.

STAN SHAW: Yeah, a bar works better in that

instance.

BILL HARRIS: A...oh, to have a scale bar there, yeah. I was going to say that that would be good because you could scale the bar then if you needed to.

STAN SHAW: Yeah.

Q. So, basically, what you're saying Mr. Shaw is to move this well southwest to get it to a---?

BILL HARRIS: That juncture there.

Q. ---legal location, you would be...you would have to build the location on a very steep terrain above a bunch of residences and you would obviously have not only topographic issues, but safety issues?

A. That's correct.

Q. Okay. 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. 6,085 feet.

Q. Are you requesting that this location exception 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 826381?

A. Yes.

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

BILL HARRIS: Any further questions from Board members?

(No audible response.)

BILL HARRIS: You may continue.

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

BILL HARRIS: Okay. Do we have a motion?

(No audible response.)

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: All right. Thank you. Let's see, the Virginia Gas and Oil Board will hear public comments regarding Board matters immediately following the final docket items. That's now. So, if there are...yes.

TIM SCOTT: I'm kidding.

(Laughs.)

BILL HARRIS: And I guess our commentators have left. We need to look at the minutes from the...we need to...if you would, look at your minutes from the previous hearing of June the 19th. Do we have a motion in regard to those...that item?

BRUCE PRATHER: Motion that we approve the minutes.

MARY QUILLEN: Second.

BILL HARRIS: Okay. Any further discussion of that?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All Board members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. I guess the hearing is
adjourned.

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 6th day of August, 2007.

NOTARY PUBLIC

My commission expires: August 31, 2009.