

VIRGINIA:

IN THE COUNTY OF WASHINGTON

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

AUGUST 21, 2007

APPEARANCES:

BOARD MEMBERS:

MARY QUILLEN - PUBLIC MEMBER

BILL HARRIS - PUBLIC MEMBER

KATIE DYE - PUBLIC MEMBER

PEGGY BARBAR - PUBLIC MEMBER

BRUCE PRATHER - GAS & OIL INDUSTRY REPRESENTATIVE

CHAIRMAN:

BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

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

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

MARY QUILLEN: Mary Quillen. I'm Director of Graduate Programs for the University of Virginia. I am a public member.

BILL HARRIS: I'm Bill Harris, a public member from Wise County and I'm on the faculty at Mountain Empire Community College.

KATIE DYE: I'm Katie Dye and I'm a public member from Buchanan County.

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

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

BRUCE PRATHER: I'm Bruce Prather. I represent the oil and gas industry.

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

Staff of the Board.

BENNY WAMPLER: The first item on today's agenda is a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 1B, 1E and a portion of 1G and 1H for unit W-35. This is docket number VGOB-98-0324-0627-05, continued from July. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Anita Duty.

BENNY WAMPLER: The record will show no others.

(A party comes forward.)

BENNY WAMPLER: Are you coming down for this? We just need you to come up and state your name for the record at this point. Tell us who you are.

SARA DAY: Sara Day.

BENNY WAMPLER: Thank you. Will you swear---?

(Anita Duty and Sara Day are duly sworn.)

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

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 application?

A. I make sure that our payments to escrow are properly accredited to them.

Q. And what did you do with regard to this particular application in terms of what documents did you review and what did you do?

A. I compared our payment records to Wachovia's ledger sheets to make sure all the checks were properly accredited and everything balanced.

Q. And when you made that comparison, what did you find?

A. Everything was...everything was balanced.

Q. In agreement?

A. In agreement.

Q. Okay. And then did you prepare an Exhibit A for the Board that you passed out today?

A. Yes.

Q. And is there a typo in the third line of

that Exhibit?

A. Yes.

Q. Okay. What is the date as of this balance?

A. It should be June the 16th, 2007.

Q. Not 2006, correct?

A. Yes.

Q. What tracts are we talking about disbursements from here?

A. 1C, 1D and 1F.

Q. Are there other tracts in escrow that will not be disbursed?

A. Yes.

Q. And those are shown on this exhibit as well, which would be, I think, E, G and H, right?

A. And B.

Q. And B?

A. Uh-huh.

Q. Okay. So, the escrow account would need to be maintained?

A. Yes.

Q. What is the holdup then with regard to this unit as to why it's...we've continued this several times?

A. There has been a pending disbursement.

Q. And that disbursement needed to be made to

make sure that these percentages were right?

A. Yes.

Q. When this disbursement was made. What is your understanding now as to where we stand on that disbursement?

A. I had talked to Mr. Wilson and he says that he's going to have them paid...probably paid out this month. So---.

Q. Okay. So, we're ready...and he can confirm that, but as far as you understand we're ready to go?

A. Yes.

Q. Okay. When these funds are disbursed, are you asking that they be disbursed in accordance with a written split agreement?

A. Yes.

Q. And have you actually reviewed that agreement?

A. Yes.

Q. Is it a 50/50 agreement?

A. Yes.

Q. Okay. And who is it that will be receiving the payments from this disbursement request?

A. It will be Hurt McGuire Land Trust, Guster Clifton and Consolidation Coal Company.

Q. And they're indicated on the Exhibit, correct?

A. Yes.

Q. The...when the disbursement is made, should the escrow agent use the percentage or the dollars?

A. The percent of escrow.

Q. Okay. And that's because the dollars will have changed?

A. Yes.

Q. And what percent...if you will just read into the record, the percent that each person receiving a disbursement or that you're requesting receive a disbursement should receive.

A. Okay, for Tract 1C Hurt McGuire Land Trust and Guster Clifton will both receive 5.1407%. For Tract 1D, Hurt McGuire Land Trust and Consolidation Coal Company will both receive 0.1039%. Hurt McGuire Land Trust and Consolidation Coal Company for Tract 1F 2.4784% each.

Q. Are you also requesting that the Board...that any Board order that is entered that allows these disbursements would also provide that with regard to these people who have split agreements that in the future their royalties can be paid directly to them in accordance with their split agreements and that there not be a

continuing requirement to escrow those funds?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Ms. Day?

SARA DAY: I just don't understand this. I mean, where they say this split agreement. The Heirs don't understand how much they would be getting percentage or whatever. To start with, it was supposed to have been 88% and 12%. Now, it's down to 6%. It's hard for the Heirs to understand how much that they would be getting by the percentage and what they would be signing if they signed it.

BENNY WAMPLER: According to Exhibit E, you're in 1G, which is not subjected to disbursement today. Is that correct?

SARA DAY: Right.

MARK SWARTZ: Correct.

BENNY WAMPLER: Okay.

SARA DAY: But I've come down here so many times.

BENNY WAMPLER: I understand. Well, if we can help you understand it...I just wanted to make sure that I wasn't overlooking that. You're not in part of what has

been disbursed today.

SARA DAY: No, because I don't understand it and it's hard to sign something when you don't understand what you're signing. It's not explained in the papers we get what the split agreement is. It just says 50/50, but it don't say what.

BENNY WAMPLER: Well, it's 50/50 of whatever is in that particular account. In other words---

SARA DAY: It don't explain that. So really you don't know what you're signing. It should be explained until the Heirs know what they're signing and then I'd say more people would sign.

BENNY WAMPLER: Anita?

ANITA DUTY: I think the 12 and 1/2% that she's talking about is royalty and that's still...we pay 12 and...I mean, we pay the one-eighth royalty. The percent of escrow is what's remaining in escrow that's her portion. It's not...that's not the amount of royalty that we pay. We still pay a one-eighth royalty. But the more people that are disbursed, you know, the less interest that is in one tract. I mean, I---

BILL HARRIS: Mr. Chairman, let me ask a question. When you're talking about signing again, did you sign a lease at first or---

SARA DAY: No.

BILL HARRIS: Okay. And you're saying signing now. Has someone approached you about splitting?

SARA DAY: Yes.

BILL HARRIS: Okay. And is that---?

SARA DAY: They didn't approach me. They just sent a paper.

BILL HARRIS: Now, when you say "they", is it---?

SARA DAY: Oh, the company. Mr. Arrington...Mr. Arrington sent us the paper.

BILL HARRIS: Okay. Who usually arranges the split agreements? You know, I know that we are presented with those, but who usually initiates that. Is that---?

MARK SWARTZ: It's usually the coal owner. I mean, like in this example, if you look at Tract 1G Hurt McGuire Land Trust has the coal interest.

BILL HARRIS: Okay.

MARK SWARTZ: So, normally, they would...they would deal with the conflicting claims.

BILL HARRIS: So, they would make the offer to---?

MARK SWARTZ: Anita reminds me that I think we were directed to send split agreements out at a hearing not too long ago.

ANITA DUTY: Last month. There were several Heirs

that asked us---.

SARA DAY: I've got the paper.

ANITA DUTY: ---to mail them one.

BILL HARRIS: When we...can we take a look at that? She has a copy of that.

BENNY WAMPLER: Yeah. I just want to---.

BILL HARRIS: I don't want to take---.

BENNY WAMPLER: ---clarify for the record that this is not part of this---.

BILL HARRIS: This is not...yeah. Well---.

BENNY WAMPLER: ---what's before us. You know, I don't mind taking a few minutes trying to help understanding. But as far as confusing...I don't want to confuse---.

BILL HARRIS: The issue at hand.

BENNY WAMPLER: ---the issue before us.

BILL HARRIS: Yeah.

BENNY WAMPLER: Okay.

MARY QUILLEN: I was just going to say, why don't we address the agreement that's before us before we address---.

BENNY WAMPLER: I think that would be---.

BILL HARRIS: Yeah. Because that doesn't effect what she has a question on. Yeah.

BENNY WAMPLER: That would be better.

BILL HARRIS: That's fine. Yeah.

BENNY WAMPLER: You've rested on what you have.

MARK SWARTZ: Correct.

BENNY WAMPLER: And I'm at a point---

BILL HARRIS: Yeah.

BENNY WAMPLER: ---if there's no question, you know, or anything further, you know, is there a motion?

BILL HARRIS: Motion to approve the---

BRUCE PRATHER: Second.

BILL HARRIS: ---item.

BENNY WAMPLER: Motion and second. Any further discussion?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: Then, you have approval.

BOB WILSON: Mr. Chairman.

KATIE DYE: Abstain.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Allow me, please, to confirm what was given in testimony here that this disbursement would be made only after the previously approved one has been taken out of the account so that the accounting remains consistent throughout?

BENNY WAMPLER: That's right. And Mrs. Dye abstains, for the record. All right. Now, we're through with this. So, you know, this is just basically open discussion.

BILL HARRIS: Can I take a look at your paper? Do you mind?

SARA DAY: And here's the other one.

(Mr. Harris reviews the document.)

SARA DAY: But it don't explain. The Heirs are not sure what they're signing.

BRUCE PRATHER: There has to be a settlement or you can't get your money from the escrow in the bank.

SARA DAY: Yeah, I understand that.

BRUCE PRATHER: I mean, there has to be a settlement.

SARA DAY: But---.

BENNY WAMPLER: One thing...I'm sorry.

SARA DAY: ---it should be put on the paper what you are signing. A split agreement of 6% of whatever.

ANITA DUTY: It's 50/50.

BENNY WAMPLER: Mr. Harris---

BILL HARRIS: Yes.

BENNY WAMPLER: ---just let me say one thing.

This is typically something that we would entertain at the end of the hearing. We're willing to have discussion now just to try to help out if we can. But I'm going to discourage any Board member from trying to interpret any agreement you have been sent. That's something that if you need legal Counsel, you probably ought to get it.

SARA DAY: Yeah. I understand that.

BENNY WAMPLER: But to the extent that's...what has been presented before the Board, and this one hasn't, you would have an opportunity to question any agreement here before the Board if...you know, if it came up for disbursement, if you wanted to do that at a particular time that that unit was being proposed for disbursement. But the 50/50 split is whatever percentage that you are shown to have. If you agree with that percentage, then that 50/50 is whatever the 50% times your percentage is in that unit.

SARA DAY: Well, see, I travel like two or three hundred miles to come down here. I never know when the hearing is.

BENNY WAMPLER: I understand.

SARA DAY: So, I have to make a trip---

BOB WILSON: Mr. Chairman.

SARA DAY: ---all the way down here.

BOB WILSON: Excuse me.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: It would probably help to understand that if there is a hearing that involves you, you will get notification by certified mail. By law, you're required to get that prior to the hearing. So, the fact that the unit that you're in shows up on the docket, if you have not received notice of that, then it doesn't involve you. So, there would be no reason for you to come down for that. If, in fact, something did occur that involved you and you did not receive notice of it, then the Board would revisit that and you would be given your official notice on it. So, you should be well aware of anything that's coming up before this Board that involves you directly.

SARA DAY: Well, part of my cousins said they had a meeting in May that was the whole Haus Keen and they had one in June. I didn't know anything about it. So---

BOB WILSON: Again, this would be because you have not signed an agreement.

SARA DAY: Oh, okay.

BOB WILSON: You're not on either of those lists

that would be involved in those actions.

SARA DAY: Okay. Well, I appreciate it. I just---

BENNY WAMPLER: Well, I hope that helped some. I mean, you know---

SARA DAY: Well, it did. I'm sorry to butt in. But---

BENNY WAMPLER: That's okay.

SARA DAY: ---I was wanting to find out something to know where to go.

BENNY WAMPLER: Okay. All right. Thank you.

SARA DAY: Thank you.

MARK SWARTZ: Mr. Kaiser has volunteered to let us finish before he goes. But, obviously, it's your call, Mr. Chairman.

BENNY WAMPLER: I don't mind going ahead and finishing you up.

MARK SWARTZ: We would skip to six.

BENNY WAMPLER: We'll go to item six for the Board. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit D-13. This is docket number VGOB-07-0821-1981. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.
We'll get Mr. Arrington sworn.

(Leslie K. Arrington is duly sworn.)

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Mr. Arrington, could you state your name for the record, please?

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. And what do you do for CNX?

A. Manager of Environmental and Permitting.

Q. And were you...are you the fellow who prepared the notice of hearing, the application and the related exhibits today...for today's hearing or the person who caused them to be prepared?

A. Yes, I was.

Q. And in that respect, did you sign both the notice and the application with regard to D-13?

A. Yes, I did.

Q. What did you do to inform people that there would be a hearing on this unit today?

A. We published by certified mail, return receipt requested on July 20, 2007...we mailed by certified mail July the 20th, 2007. We published in the Bluefield Daily Telegraph on July the 27th, 2007.

Q. And have you filed your certificates with regard to mailing and your proof of publication with Mr. Wilson?

A. Yes, we have.

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

A. The notice of hearing and location exhibits.

Q. Do you want to add any people as respondents today?

A. No.

Q. Do you want to dismiss any people as respondents?

A. No.

Q. What kind of unit are you seeking to pool?

A. This is an Oakwood 80 acre unit with two wells.

Q. So, it would be in the infill...one of the

infill drilling areas?

A. Yes, it would be.

Q. The...there's no escrow requirement, is that correct?

A. No, that's correct.

Q. And what interest have you obtained and what interest are you seeking to pool?

A. We've obtained 84.8686% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 15.1314% of the coal, oil and gas owner's claim to coalbed methane.

Q. Have you provided the Board with cost estimates with regard to the two wells?

A. Yes, we have. D-13 is \$218,658.84 to a depth of 2411. D-13A is \$290,325.95 to a depth of 2435. D-13 is not issued. D-13A is 8396.

Q. Permit number 8396?

A. Yes.

Q. Okay. And the total of the cost estimates that you report in your notice and your application is \$508,984.79, is that correct?

A. Yes.

Q. Who are you requesting be the Board's operator if the order is entered?

A. CNX Gas Company.

Q. And that's an LLC?

A. Yes, it is.

Q. And also, in effect, a Virginia General Partnership?

A. Yes.

Q. Is CNX Gas Company, LLC authorized to do business in the Commonwealth?

A. Yes, it is.

Q. Has it registered with the DMME?

A. Yes, it is.

Q. Has it filed a blanket bond with the DMME as required by law?

A. Yes, it has.

Q. What is your recommendation to the Board with regard to lease terms in the event people are deemed to have been leased?

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

Q. Is it your opinion that developing this Oak...80 Oakwood unit by drilling two wells in the drilling window and fracing them is a reasonable and prudent way to

develop the coalbed methane resource within and under this unit?

A. Yes, it is.

Q. And is it your further opinion that if you combine the leasing efforts that you've been successful with with a pooling order pooling the folks named as respondents that the correlative rights of all parties and claimants will be protected?

A. Yes, they will.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: You have unit D-13, but yet we're talking about D-13 and D-13A. Are you asking approval for both of those?

LESLIE K. ARRINGTON: For both wells, yes.

BENNY WAMPLER: Do we have those properly noticed?

LESLIE K. ARRINGTON: To my knowledge, we do.

MARK SWARTZ: They're in the same unit.

LESLIE K. ARRINGTON: Same unit.

BENNY WAMPLER: I just raised the question.

MARK SWARTZ: I know.

BENNY WAMPLER: I just saw D-13 on what I had.

MARK SWARTZ: Hopefully, 13A is on your plat, Mr. Chairman. I don't...it's sort of up...it would be in---

BENNY WAMPLER: It is, yeah.

MARK SWARTZ: ---the northeast corner of the window.

BENNY WAMPLER: Uh-huh.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Just for further...I assume this is where you're going with that. The costs of participating in this unit is the combination of the two wells, is that correct?

LESLIE K. ARRINGTON: Yes.

BENNY WAMPLER: Yeah, that's where I was going.

LESLIE K. ARRINGTON: Okay.

MARK SWARTZ: Okay, yeah. Absolutely.

BENNY WAMPLER: Other questions?

MARY QUILLEN: Mr. Chairman, just one question.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: 13A is right on the line. It is within the window?

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

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No, I don't.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Mrs. Dye. Next is
a petition from CNX Gas Company, LLC for pooling of coalbed
methane unit C-52, docket number VGOB-07-0821-1982. We'd
ask the parties that wish to address the Board in this
matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington again.

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

MARK SWARTZ: Mr. Chairman, if I could, I would

like to incorporate Mr. Arrington's testimony with regard to the applicant and operator, with regard to standard lease terms that would be deemed to be applicable and with regard to his employment.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

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

A. Yes.

Q. Were you the person who either prepared or supervised the preparation of the notice of hearing and the application and the related exhibits for this petition concerning C-52?

A. Yes, I was.

Q. And, in fact, you signed both the notice and the application?

A. Yes.

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

A. We mailed by certified mail, return receipt requested on July the 20th, 2007. We published in the Bluefield Daily Telegraph on July the 27th.

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

A. The notice of hearing and location exhibit.

Q. Have you filed your certificates with regard to mailing and your proof of publication with Mr. Wilson?

A. Yes, we have.

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

A. We acquired 99.375% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 0.625% of the coal, oil and gas owner's claim to coalbed methane.

Q. Do you want to add any respondents today?

A. No.

Q. I'm assuming you don't want to dismiss the one that you've listed.

A. No.

Q. Is there an escrow requirement here?

A. For Tract 4 for unknowns.

Q. Okay. Is there also...you've filed an Exhibit E, I believe---?

A. Yes.

Q. ---because of traditional conflicts?

A. Yes.

Q. And, also, I think you've got a title issue?

A. Yes.

Q. So, there are really three reasons to escrow here?

A. Uh-huh.

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

A. Yes. It was \$249,524.12 to a depth of 2645. The permit number is 7442.

Q. And this is what kind of unit?

A. It's an Oakwood 80.

Q. And where is the proposed well located?

A. Within the drilling window.

Q. And is it a frac well?

A. Yes.

Q. Is it your opinion that drilling a frac

well in the window of this 80 acre 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 the entry of a pooling order pooling the Thomas Mitchell Heirs combined with the leasing efforts that CNX has been successful in will protect the correlative rights of all owners and claimants?

A. Yes, it will.

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

BENNY WAMPLER: Do you want to explain the well C-52CV?

LESLIE K. ARRINGTON: Yes. No problem. CV...CV, what we're planning on doing...I'll just to get plat, so if there's any further questions. We will eventually have a conventional well also located on that site. We're presently working on that...drafting the plat and Tract IDs and getting all of the information together for that well. For that's, again, a conventional well.

BENNY WAMPLER: Not proposed at this time, but it's something that you're showing---?

LESLIE K. ARRINGTON: No, it's not. Right.

BENNY WAMPLER: Yeah.

BILL HARRIS: Yeah. I guess that was my question.

It has not been drilled or proposed? It would be---?

LESLIE K. ARRINGTON: No, it hasn't. But it's coming. It will be here.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: Conventional well, Les, that would be an entirely different unit?

LESLIE K. ARRINGTON: Yes.

MARK SWARTZ: Potentially a different group of owners---?

LESLIE K. ARRINGTON: Yes.

MARK SWARTZ: ---depending on how the title works?

LESLIE K. ARRINGTON: Yes.

BENNY WAMPLER: I was just trying to make sure we weren't having that co-mingled with what we've got here today.

MARK SWARTZ: I understand. I understand. No, it's a different---.

BENNY WAMPLER: Be a completely different thing. You're just showing something---?

MARK SWARTZ: ---proposition in title.

BENNY WAMPLER: ---that you're planning to do in

the future?

LESLIE K. ARRINGTON: Yeah.

BENNY WAMPLER: Okay. Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No, I do not.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Mrs. Dye. Next is
a petition from CNX Gas Company, LLC for pooling of coalbed
methane unit M-41. This is docket number VGOB-07-0821-1983.
We'd ask the parties that wish to address the Board in this
matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

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

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, will you state your name for us, please?

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

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

A. Yes.

Q. What kind of unit is this?

A. It's an Oakwood 80.

Q. How many wells are proposed?

A. One.

Q. Is it a frac well?

A. Yes.

Q. Where is it located in relation to the window?

A. Within the drilling window.

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

A. Yes, we have. It's \$207,705.38.

Q. And what's the estimated depth and permit number, if any?

A. The estimated depth is 1898 feet. The permit number is 8408.

Q. Okay. No escrow requirement here?

A. No.

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

A. We've acquired 99.902% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 0.098% of the coal, oil and gas owner's claim to coalbed methane.

Q. I think you added some decimals in that percentage. Let me show you the exhibit here. Here you go.

A. 0.098015%.

Q. Okay, okay. Of the coal, oil and gas interest?

A. Yes, coal, oil and gas.

Q. Okay. Is it your opinion that drilling one frac well in the drilling window of this Oakwood 80 acre unit is a reasonable way to develop the coalbed methane resource within that unit?

A. Yes, it is.

Q. And is it your opinion as well that if we combine a pooling order...let's come back to that. You've got another well on the plat here.

A. Yes.

Q. Okay, what's the story with that?

A. Well 618...the more I look at this and... well 618 was one of the first, first wells we drilled back in the early '90s.

Q. Okay.

A. I did not include the well costs of that well within this pooling.

Q. Okay.

A. And we...again, that well has been in production for some fifteen years now.

Q. And so basically we're doing an infill---?

A. Yes, we are.

Q. This is an infill area and we're---?

A. Yes.

Q. ---drilling a second well in the window?

A. And actually this is actually within the mine plan area of Buchanan No. 1.

Q. Okay. So, regardless of whether or not it's an infill or it was consistent with a mine plan?

A. Right.

Q. Okay. And is it your further opinion that if you combine the pooling order pooling the mineral interest that is...that you've been unable to lease would combine a pooling order with the leasing activities that you've been successful in that the correlative rights of all of the owners and claimants would be protected?

A. Yes, they will.

Q. Do you want to dismiss any of the respondents today?

A. No.

Q. Do you need to add anybody today?

A. No.

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

BENNY WAMPLER: I guess a question is, do we...can we properly go forward with this without having the costs of the first well because if somebody participants they're

going to pick up---?

BOB WILSON: I assume that what you're saying is that the cost to participate is only the one well?

MARK SWARTZ: Right.

LESLIE K. ARRINGTON: For the one well.

MARK SWARTZ: Right. They had the shot at the first one. So, yes, that's why we've only got one set of costs. You know, they had an opportunity to participate in the first well and either did or didn't.

BOB WILSON: So, this was a repooling?

LESLIE K. ARRINGTON: That's just...you know, I see we have a new number on this thing. We need to go back and look at that.

MARK SWARTZ: We probably need to add it as a -0 something.

LESLIE K. ARRINGTON: We need to go back and look at that one.

BENNY WAMPLER: I think we probably need to continue---.

LESLIE K. ARRINGTON: Let's continue this one.

BENNY WAMPLER: ---it until we sort it out. Okay? So, we'll just continue this one.

LESLIE K. ARRINGTON: Yeah, the more I looked at map---.

MARK SWARTZ: Okay.

BENNY WAMPLER: All right. That's continued.

MARK SWARTZ: We ought to be able to sort this out by next month though, right?

LESLIE K. ARRINGTON: Oh, absolutely.

MARK SWARTZ: Okay.

LESLIE K. ARRINGTON: I'll have it fixed.

BENNY WAMPLER: Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit O(-1). This is docket number VGOB-07-0821-1984. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

MARY QUILLEN: Is this the same situation?

MARK SWARTZ: No, it's not actually. We'll tell you about it.

LESLIE K. ARRINGTON: It's actually the O.

MARK SWARTZ: This one is the good one, okay.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

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

BENNY WAMPLER: That will be incorporated.

Q. Okay. There are two wells shown on the plat here, Les.

A. Yes.

Q. Do we have the same situation that we just had or a different situation?

A. It's a different situation than what we had there and we were in hopes of getting two wells within that unit. We have an above-drainage operator, Jewell Smokeless, that has objected pretty strongly against drilling in that area. We were able to get one well. The second well is still shown on the map. The good well being 0(-1).

Q. Okay. So, the 0(-1A) well that's shown in the northeast corner of the drilling window has been essentially blocked by an above-drainage coal operator?

A. As of this time, it has been.

Q. Okay. So, as you sit here today, the well that you've got on your horizons that you have the coal

operator's consent on is the O(-1) well?

A. Yes.

Q. And you've only estimated well costs for that well, I'm correct?

A. I believe that's correct, yes.

Q. As long as we're talking about that, let's go to that exhibit. Okay, what is your cost estimate with regard to this O(-1) well?

A. \$224,416.58.

BENNY WAMPLER: Before we leave Exhibit A, we'll need a revised Exhibit A.

MARK SWARTZ: Okay.

LESLIE K. ARRINGTON: Oh, the plat.

BENNY WAMPLER: The plat.

LESLIE K. ARRINGTON: Okay.

SHARON PIGEON: Without that.

Q. What's the projected depth of the well?

A. 2485.

Q. And do you have a permit?

A. Yes. The permit number is 7304.

Q. You've noticed two respondents, Kara Welch and Mark Welch, correct?

A. Yes.

Q. What did you do to notify them and others

that there would be a hearing today?

A. We mailed by certified mail, return receipt requested on July 20, 2007. We published in the Bluefield Daily Telegraph on July 27, 2007.

Q. Do you want to add anybody today?

A. No.

Q. Do you want to dismiss either of those respondents?

A. No.

Q. Have you filed your certificates with regard to mailing and your proof of publication with Mr. Wilson?

A. Yes, we have.

Q. And in regard to publication, when it was published what appeared in the newspaper?

A. The notice of hearing and location exhibit.

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

A. We've acquired 95.6146% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 4.3854% of the coal, oil and gas owner's claim to coalbed methane.

Q. There's no escrow requirement here?

A. No, no.

Q. This is an Oakwood 80?

A. Yes, it is.

Q. And the well that you're proposing, although that we've looked at it before, just to confirm, is it in or out of the window?

A. It's within.

Q. Is it your opinion that drilling a frac well in the drilling window of this 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 an order pooling the Welches with your leasing activities where you've actually been able to obtain interests by lease that the correlative rights of all owners and claimants will be protected?

A. Yes, they will.

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

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Mr. Arrington, I have a question about your cost sheet. Right in the middle there's an item called completion that's \$77,900. Could you explain a

little about what the composition of that is that's not already...that's not a sum of something above or anything like that?

LESLIE K. ARRINGTON: No...no, it's not.

BILL HARRIS: Could you tell us what that is?

LESLIE K. ARRINGTON: That would be...that's a lot of your frac work.

BILL HARRIS: Is that not usually spelled out? I mean, that's just such a large---

LESLIE K. ARRINGTON: No, it---

BILL HARRIS: I haven't gone back and looked at what we've gotten in the past.

LESLIE K. ARRINGTON: No. It's normally listed like that on mine. It's just as completion.

BILL HARRIS: That was just such a large percentage of the total.

LESLIE K. ARRINGTON: It is.

BILL HARRIS: I just had to ask. Thank you.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: I'd like to ask Mr. Arrington a question. My memory is not working too well. Is not the O(-1A) well...is that well not already drilled? Is that not the one that was drilled in the incorrect location?

LESLIE K. ARRINGTON: No.

BOB WILSON: It's not?

LESLIE K. ARRINGTON: Y(-1).

BOB WILSON: Y. Thank you. Thank you.

BENNY WAMPLER: Other questions?

LESLIE K. ARRINGTON: I just got it.

BOB WILSON: I told you I didn't remember.

BILL HARRIS: Mr. Chairman, can I ask one other?

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Why the designation O(-1)? Is there
a...was there a reason for that?

LESLIE K. ARRINGTON: Yes. The Oakwood Field goes
out to...in certain areas.

BILL HARRIS: So, this is actually---?

LESLIE K. ARRINGTON: Yes, it goes out to the (-4)
numbers.

BILL HARRIS: I think we've had some others.
Okay, thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No, I do not.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: I'll second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: I abstain.

BENNY WAMPLER: One abstention, Mrs. Dye. Next is
a petition from CNX Gas Company, LLC for pooling of coalbed
methane unit BH-107, docket number VGOB-07-0821-1986. We'd
ask the parties that wish to address the Board in this
matter to come forward at this time.

MARK SWARTZ: Give us one moment, Mr. Chairman.
Mr. Wilson has thrown a monkey wrench into this one. He has
been off doing title work for us and we want to address that
with you.

(Mr. Arrington and Mr. Swartz confer.)

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. With regard to this unit, did Mr....was Mr. Wilson kind enough to provide you with some information a couple of the folks that you've had trouble locating this morning?

A. Yes, he did.

Q. And those two people are?

A. Wesley David Hatfield and an Allie G. Hatfield.

Q. And for Wesley he has got an address and a phone number and for Allie he has got a phone number, correct?

A. Yes.

Q. And were those people listed as unlocateables?

A. I believe they were. Yes.

Q. Okay. Would you ask that the Board continue this for a month so that we can sent those two folks...get an address for Allie by her phone---?

A. Yes.

Q. ---number and notice them of the hearing next month?

A. Yes.

BENNY WAMPLER: We'll do that. Just a comment on this overall. I mean, you can't...you can't let this go by without saying what...just tell us about your due diligence process.

LESLIE K. ARRINGTON: Absolutely. Our folks, they attempt to locate the folks through the Courthouse records, phone records of relatives that they can find and...I'm not sure how these two folks into Bob. I was just first made aware of that. They will do Internet searches when they can't find someone. I actually do some of those myself.

BENNY WAMPLER: But you feel like before they go forward they're actually trying to exhaust those---?

LESLIE K. ARRINGTON: Yes, they do.

BENNY WAMPLER: ---both means before they try to put something before the Board?

LESLIE K. ARRINGTON: Yes, they do.

BENNY WAMPLER: Okay. This will be continued until next month. Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit YYY-25, docket number VGOB-07-0821-1987. We'd ask the parties that wish to address the Board in this matter to come forward at this

time.

MARK SWARTZ: Mark Swartz and Les Arrington.

BENNY WAMPLER: The record will show no others.

You may proceed.

MARK SWARTZ: I'd like to request that we incorporate...be allowed to incorporate Mr. Arrington's testimony concerning the applicant and operator, standard lease terms and his employment.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Mr. Arrington, could you state your name for us?

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

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

A. Yes.

Q. What unit are we requesting a pooling order on in this hearing?

A. YYY-25. It's an Oakwood 80 acre unit.

Q. How many wells are proposed?

A. One.

Q. Is it located in or out of the window?

A. In.

Q. Is it a frac well?

A. Yes, it is.

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

A. Yes. \$261,822.58 to a depth of 2626.

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

A. We've acquired 98.5474% of the coal owner's claim to coalbed methane and 98.5303...wrong one.

BRUCE PRATHER: Yeah.

A. 99.1974% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 0.8026% of the coal, oil and gas owner's claim to coalbed methane.

Q. Are the people that you've mailed notice to or attempted to mail notice to listed in the notice of hearing?

A. Yes, they are.

Q. Okay. When did you mail?

A. By certified mail, return receipt requested July 20, 2007 and published in the Bluefield Daily Telegraph

July 28, 2007.

Q. Have you filed your certificates with regard to mailing and your proof of publication with Mr. Wilson's office?

A. Yes, we have.

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

A. The notice of hearing and location exhibit.

Q. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. Is there...is there an escrow requirement or no?

A. No, not in this unit.

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

A. Yes, it is.

Q. And is it your further opinion that if you combine a pooling order with the lease and acquisition efforts that have been successful by the applicant that you will have protected the correlative rights of all owners and

claimants to the coalbed methane in this unit?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---just one. I would just like to ask Mr. Arrington to repeat the percentages that are leased.

LESLIE K. ARRINGTON: Yes. It's 99.1974% of the coal, oil and gas owner's claim.

MARY QUILLEN: Thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No, I do not.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes, but

Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: I abstain.

MARK SWARTZ: Thank you all

BENNY WAMPLER: We'll take five minutes while the other folks get squared away up here and we'll go back to number two on the Board's agenda when they get situated.

(Break.)

BENNY WAMPLER: Okay, we'll go ahead and reconvene. The next item on the agenda is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536835. This is docket number VGOB-07-0717-1969. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

(Don Hall is duly sworn.)

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

JIM KAISER: Don, before we get into our standard testimony, why don't you explain we continued this last

month and kind of what has happened since then?

DON HALL: Well, actually, we continued...the next two is the same story, this one and the next one. We thought we had some discrepancies in the property line on the plat that we were going to try to correct between now and... between last month and now. After further investigation, we determined we had it right to begin with.

BENNY WAMPLER: So, these are continued?

SHARON PIGEON: They were continued.

DON HALL: They were...they were continued.

JIM KAISER: They were continued. They didn't have to be, so now we're going to go with them.

BENNY WAMPLER: Oh, okay.

DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. All right. 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. And do your responsibilities include the

land involved in this unit and in the surrounding area?

A. They do.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in the unit for well VC-536835 dated June 15, 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 respondents owning an interest and an attempt made to work out a voluntary lease agreement with each?

A. Yes.

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

A. We have 93.36% of the gas estate leased.

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

A. 100%.

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

A. They are.

Q. So, they only interest that remains

unleased within the unit is 6.64% of the gas estate?

A. That's correct.

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

A. That's correct.

Q. Okay. 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. They are.

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

A. Yes.

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

A. Yes.

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

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

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

A. Yes.

Q. As to those respondents who remain unleased, do you agree that they be allowed the following statutory 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 that interest equal, 300% of the share of such costs applicable to the interest of the carried operator of a leased tract or portion thereof; or 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:---. Is that right?

A. Yes.

Q. ---Nicole Atkinson, Regulatory?

A. Yes.

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

A. It should.

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 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 forty-five days to pay the applicant for their proportionate share of the actual well

costs?

A. Yes.

Q. Does the applicant expect the party electing to participate to pay that cost in advance?

A. We do.

Q. Should the applicant be allowed a hundred and twenty days following the recordation date of the Board order and thereafter annually on that date until production is achieved, to pay or tender any delay rental or bonus 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 the respondent's election to participate should be treated as having been withdrawn and void and such respondent should be treated as if no initial election had been made, in other words, deemed to have leased?

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to the payment of their well costs, any cash sum becoming payable to that respondent be paid by the applicant within sixty days after the last date on which the

respondent could have paid those costs?

A. Yes.

Q. Okay. We do have a conflicting claimant situation. So, the Board does need to establish an escrow account and that will be any proceeds attributable to Tracts 5, 6, 7 and 8?

A. That's correct.

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

A. Equitable production Company.

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

A. It's 2666 feet.

Q. Estimated reserves for the unit?

A. 330 million cubic feet.

Q. Are you familiar with the well costs?

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. And what are both dry hole costs and

completed well costs for this well?

A. The dry hole cost for this well is \$160,568. The completed well cost is \$412,212.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Don, this sounds a little high...on the high side for a coalbed methane well. Is there anything in particular that drives that cost---?

DON HALL: I was just looking at the AFE anticipating that question. It looks like the pipeline

costs are relatively high. It's almost \$40,000 for the pipeline.

BENNY WAMPLER: Yeah, I saw that.

JIM KAISER: The location and construction.

DON HALL: The frac cost is \$63,000. I see the location and construction...location and construction is a little high \$28,000. Just a variety of things that are higher than normal.

BRUCE PRATHER: What's the elevation, Don?

DON HALL: On the plat, the elevation is 2426.

BRUCE PRATHER: Something like that.

DON HALL: Yeah.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER AND BILL HARRIS: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

BILL HARRIS: Mr. Chairman, let me ask a quick question for my information.

BENNY WAMPLER: Mr. Harris. Sure.

BILL HARRIS: On your plat, there is an area DMLR permit. I think I've asked this before. Is that a...what's the significance of the hash marks and everything there? Is that...there's a couple of those areas. One at the top of the boundary and one at the lower left.

DON HALL: That's areas that's permitted by the DMLR. We're required to put them on the plat. They're permitted to a coal company through the DMLR, the Division of Mine, Land and Reclamation. We're required to put that information on the plat.

BILL HARRIS: Okay. I think I've seen it before. I probably have asked that.

DON HALL: And that's the permit numbers underneath it for the particular coal that has that permit.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: I might clarify. They're required to put that on the plat for permitting purposes and not for pooling.

DON HALL: Right. Yeah.

BENNY WAMPLER: Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536866. This is docket number VGOB-07-0717-1971. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

BENNY WAMPLER: The records will show 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. Yes.

Q. In fact, we're pooling the exact same two parties that we just pooled in the last hearing?

A. Yes. These are the...this was continued as well.

Q. For the same reason?

A. The same reason.

Q. Because we thought we might have some Tract
line problems?

A. Yes.

Q. And Equitable owns drilling rights in the
unit involved here?

A. We do.

Q. And prior to the filing of the application,
efforts were 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 is the interest under lease to
Equitable in the gas estate in this unit?

A. We 61.48% leased.

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

A. A 100%.

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

A. They are.

Q. So, what remains unleased is 38.52% of the
gas estate?

A. That's correct.

Q. Okay. Again, we don't have no unknown or unlocateables, correct?

A. That's correct.

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

A. Yes.

Q. The addresses set out in Exhibit B are the last known addresses for those respondents?

A. Yes.

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

A. Yes.

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

A. Yes.

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

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

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

A. Yes.

JIM KAISER: Now, Mr. Chairman, as to the statutory election options afforded the unleased parties, I'd ask that the Board consider incorporating the testimony taken previously in docket number 1969.

BENNY WAMPLER: That will be incorporated.

Q. Okay. Again, we have a conflicting claim situation and the Board does need to establish an escrow account for proceeds attributable to Tracts 2, 3, 4, 5, 6 and 8?

A. That's correct.

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

A. Equitable Production Company.

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

A. 2747 feet.

Q. Estimated reserves?

A. 330 million cubic feet.

Q. Are you familiar with the well costs?

A. Yes.

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 the well costs?

A. It does.

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

A. The dry hole cost is \$162,228 and the completed well cost is \$372,974.

Q. Okay. I notice the...it looks like the location is outside the interior window on this one. Is that right?

A. Yes, it is.

Q. Okay. So, you would have...you would or have sought a location is exception in the permitting process?

A. Yes, I believe this well has already been permitted, if I'm not mistaken.

Q. Okay.

A. It has been requested. It hadn't been permitted yet.

Q. Do your...does your AFE...do the costs represented in your AFE include a multiple completion?

A. It does.

Q. Reasonable charge for supervision?

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537190. This is docket number VGOB-07-0717-1974. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, this one was also continued from the July docket. Can you kind of refresh everybody's memory as to why?

A. Yes. We...at the July hearing the parties that we were proposing to force pool showed up and we had a lengthy meeting...not a lengthy meeting, but a meeting and decided that we could possibly work out an agreement. In the interim, we have met with them and we're not able to lease them. So, we're now ready to continue with the force pooling.

Q. Okay. And does Equitable own drilling

rights in the unit involved here?

A. We do.

Q. Obviously, prior to the filing of the application and after filing the application, you continued to make efforts to obtain a voluntary lease from those folks in the unit who are not leased?

A. That's correct.

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

A. We have 98.94% leased.

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

A. We have 100% leased.

Q. All unleased parties are set out at B-3?

A. They are.

Q. So, the only percentage of interest in either estate that remains unleased at this time is 1.06% of the gas estate, is that correct?

A. That's correct.

Q. We don't have any unknown or unlocateables in this unit?

A. No.

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

to the best of your knowledge?

A. Yes.

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

A. We are.

Q. Again, could you advise the Board as to what the fair market value of drilling rights in this unit and the surrounding area is?

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

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

A. They do.

JIM KAISER: Mr. Chairman, we'd, again, ask that the Board consider incorporating the testimony regarding the statutory election options to the...afforded the unleased parties that was taken previously in item...in docket number 1969.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, we do...the Board does need to establish an escrow account for conflicting claims---?

A. That's correct.

Q. ---to this unit and it would be for any proceeds attributable to Tracts 3 and 4 in this case?

A. That's correct.

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

A. Equitable Production Company.

Q. Proposed...the total depth of this proposed well?

A. It's 2261 feet.

Q. Estimated reserves for the unit?

A. 120 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 well costs?

A. It does.

Q. Could set out both the dry hole costs and completed well costs for this well?

A. Dry hole cost is \$118,305 and the completed well cost is \$314,354.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes, but

Bruce Prather.)

BRUCE PRATHER: Abstain.

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BRUCE PRATHER: I abstain.

BENNY WAMPLER: We have one abstention. Next is a petition from Clara R. Smith for disbursement of funds from escrow and authorization of direct payment of royalties on Tract 4, unit VC-504637. This is docket number VGOB-01-1016-0968-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of Equitable. I've got all kinds of stuff that I'm going to pass out to you.

BENNY WAMPLER: Okay.

(Mr. Kaiser passes out documents.)

JIM KAISER: Okay. I'm thinking we got this right finally. One of my favorites, these escrow disbursements. If you remember back in July, we were asked to do several things to kind of straighten this thing up and that we make the application as Equitable on behalf of Clara R. Smith and you'll see that we have changed the application to represent that. We were asked to provide a copy of the January the 23rd letter which was referenced in the other letter that we

filed with this. We were asked to prepare an exhibit which would not only square up the bank figures and the EPC figures, but also show the disbursement in accordance with the royalty split agreement between Ms. Smith and Pine Mountain. If you'll just review what has been passed out, I think you'll find all of that to be in order at this point. We'd ask that this disbursement be approved and that all future payments be made in accordance...that the order provide that all future royalty payments be made in accordance with the split agreement.

BENNY WAMPLER: Why don't we label these as exhibits. I let you choose how to do it.

BOB WILSON: Yes. We'll label these, the letter of January the 23rd, 2007 to Ms. Clara R. Smith Exhibit A under this docket number. I would assume, maybe that's a dangerous thing to do, I will ask if the application or miscellaneous petition as submitted to do by Equitable Production Company on behalf of Clara R. Smith will merely serve to substitute for the original, which was shown as Clara R. Smith?

JIM KAISER: That's the intent, yes.

BENNY WAMPLER: Is that Exhibit B then?

BOB WILSON: Yes.

BENNY WAMPLER: Just go ahead and get the others.

BOB WILSON: Yes. Mr. Chairman, I had one other thing as well.

BENNY WAMPLER: Yes.

BOB WILSON: You realize that Pine Mountain is still not a part of this disbursement?

JIM KAISER: (Indicates in the affirmative.)

BENNY WAMPLER: Was that a yes?

JIM KAISER: Yes.

BOB WILSON: I heard the rattle.

BENNY WAMPLER: The initial miscellaneous petition then is Exhibit C and the disbursement figures are D.

Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything that you want to add?

JIM KAISER: No. Just that we've got a bunch more of these to do. I'm going to try to get them set up like this.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

Okay, we'll go to Board's agenda number twelve, I believe...twelve. This is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537965, docket number VGOB-07-0821-1988. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Jim Kaiser and Don Hall, again, on behalf of Equitable.

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay, Don, what did we just pass out here. We've got a revised B, we've got a revised B-3, revised E and last but not least a B-2. So, why don't we, before we get into our testimony, explain what this revised set of exhibits present.

A. We have a number of address changes that came back in and we've shown it in these exhibits. In addition to that, we picked up the one lease in the interim that we've...showing in Exhibit B as to be dismissed.

Q. B-2, that would be Karen Hayes and Clarence Hayes?

A. That's correct.

Q. That's in Tract 2?

A. Yes.

JIM KAISER: Any questions on the revisions?

BENNY WAMPLER: Not at this moment. You may proceed.

Q. Okay, Mr. Hall, again, you're familiar with the application that we filed seeking to pool any unleased interest in this unit?

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 respondents and an attempt made to work out a voluntary lease agreement with each of them?

A. Yes.

Q. And at this time, and not when we filed the application, but at this current time the interest under lease in the gas estate to Equitable would be 98.432378%?

A. That's correct.

Q. Okay. And the interest under lease in the coal estate would be a 100%?

A. That's correct.

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

A. Yes.

Q. The revised Exhibit B-3?

A. Yes.

Q. And the interest that remains unleased in the gas estate at this time would be 1.567622%, is that correct?

A. That's correct.

Q. We do have some unknowns. Okay, in this particular unit, there's obviously a whole bunch of respondents. We do have a few unknown and unlocateables.

A. Yes.

Q. And were reasonable and diligent efforts made and sources checked to attempt to identify these unknowns including primary sources such as deed records, probate records, assessor's records, treasurer's records and

secondary sources such as telephone directories, city directories, family and friends?

A. Yes.

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 revised Exhibit B the last known addresses for the respondents, the best of your knowledge?

A. They are.

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

A. Yes.

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

A. Yes.

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

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

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

within this unit?

A. They do.

JIM KAISER: Again, Mr. Chairman, we'd ask that the statutory election option testimony taken in item 1969 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Okay, Mr. Hall, we do have a...the Board does need to establish an escrow account, is that correct?

A. That's correct.

Q. That would be for both conflicting claims and unknown and unlocateables?

A. Yes.

Q. And that would be for tracts...proceeds attributable to Tracts 2...2 and 3?

A. Yes.

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

A. Equitable Production Company.

Q. And the total depth of this proposed well?

A. It's 2227 feet.

Q. Estimated reserves for the unit?

A. 200 million cubic feet.

Q. Are you familiar with the AFE?

A. Yes.

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

A. It does.

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

A. The dry hole cost is \$142,157 and the completed well cost is \$324,620.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: This well is outside of the window, is that correct?

JIM KAISER: Yeah.

DON HALL: It is, yes. It's...the permit has been

applied for 818.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Mr. Chairman, we'd ask that the application be approved with the revised set of exhibits.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536867, docket number VGOB-07-0821-1989. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. They do.

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

A. Yes.

Q. 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. And at this time, the interest under lease to Equitable in the gas estate is 86.29%?

A. That's correct.

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

A. Is a 100%.

Q. All unleased parties are set out at Exhibit

B-3?

A. Yes.

Q. So, that means that 13.71% of the gas estate remains unleased?

A. That's correct.

Q. Okay. And we do have...in fact, the only parties we're pooling in this particular application are two unknowns entities (inaudible)?

A. That's correct. Yes.

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

A. Yes.

Q. In fact, we've been trying to find these folks for several years, haven't we?

A. That's right.

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

A. Yes.

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

A. Yes.

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

A. We are.

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

A. Yes.

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

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

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

A. They do.

JIM KAISER: Mr. Chairman, we'd, again, ask that the statutory election options afforded any unleased parties and the testimony regarding that taken previously in docket 1969 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, the Board does need to establish an escrow account for those two tracts that are represented by the unknowns?

A. That's correct.

Q. Which would be, what, 3 and...2 and 3?

A. Actually, we need an escrow account---

Q. 2 and 5?

A. ---for 1, 2, 3, 5 and 6 because of
conflicting claims.

Q. Okay. 1, 2, 3, 5 and 6 tracts?

A. Yeah.

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

A. Equitable Production Company.

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

A. It's 2399 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. It has.

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

A. Yes.

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

A. The dry hole cost is \$136,909 and the

completed well cost is \$341,760.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: I don't know if we've addressed the proposed location. It's outside the drilling window, very much so. Is there a reason that you could give us why it's so far from---?

DON HALL: I don't know that I can give you a reason. That's something that's handled through the permit

process on a coalbed methane well. I'm assuming that part of the reason to stay off these unleased parties.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-505214. This is docket number VGOB-07-0821-1990. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Jim Kaiser and Don Hall, Mr. Chairman.

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, do your responsibilities include the land involved here and are you familiar with the application that filed seeking to pool any unleased interest in this unit?

A. Yes.

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

A. We do.

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

A. Yes.

Q. And at this time, the interest under lease to Equitable in the gas estate is 92.34%?

A. That's correct.

Q. And the interest under lease to Equitable in the coal estate is 100%?

A. That's correct.

Q. All unleased parties are set out in Exhibit B?

A. Yes.

Q. So, that means the only interest that remains unleased is 7.66% of the gas estate, correct?

A. That's correct.

Q. And the only interest that we're force pooling is the interest...the unknown interest of Charles Grizzle, is that correct?

A. Yes.

Q. And, again, you made reasonable and diligent efforts to try to identify and locate him?

A. Yes. We have continually for several years.

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

A. Yes.

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

A. We are.

Q. Again, you're familiar with the fair market value of drilling rights?

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 one-eighth royalty.

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

A. They do.

JIM KAISER: Again, Mr. Chairman, we'd ask that the statutory election options that would be afforded Mr. Grizzle or his Heirs, if we ever located them, and the testimony regarding those taken in 1969 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Okay. We do need to establish...the Board does need to establish an escrow account here?

A. Yes.

Q. That would cover just Tract 3?

A. That's correct.

Q. Okay. Who should be named operator?

A. Equitable Production Company.

Q. And the total depth of this proposed well?

A. 2818 feet.

Q. Estimated reserves for the unit?

A. 300 million cubic feet.

Q. And you're familiar with the AFE?

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 what those are?

A. The dry hole cost is \$178,475 and the completed well cost is \$391,496.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q. Your AFE includes a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interests of preventing waste and protecting correlative rights?

A. Yes.

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

BENNY WAMPLER: Mr. Hall, I don't know if you've

talked to Chester Grizzle in Lee County. He is retired from the Virginia Employment Commission. I don't know if that has any relation or not. But that's somebody you may want to follow up with.

DON HALL: Chester Grizzle?

BENNY WAMPLER: Yes.

JIM KAISER: He's in Lee County?

DON HALL: He's in Lee County.

BENNY WAMPLER: Lee County. Virginia Employment Commission can probably give you the lead there in Norton. He used to work there.

DON HALL: Okay.

JIM KAISER: Yeah, because we've force pooled Charles Grizzle a bunch of times.

BENNY WAMPLER: Right.

DON HALL: Yeah.

BENNY WAMPLER: The plat shows the well as being right on the line. But it looks like it's showing inside the window, is that correct?

DON HALL: I believe, it appears to be just barely inside that window.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

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

JIM KAISER: Well, again, if it were not, then it would be handled through the permitting process.

BENNY WAMPLER: Permitting, correct.

DON HALL: And this well has already been permitted.

JIM KAISER: No, sir. Just that we'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER AND BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537889. This is docket number VGOB-07-0821-1991. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, we're pleased to announce that we can withdraw this application. We were able to lease the unleased party and now have a 100% voluntary unit.

BENNY WAMPLER: Very good. I'll put that as withdrawn. Next is a petition from Equitable Production Company for creation and pooling of conventional gas unit V-537535 and that's docket number VGOB-07-0821-1992. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall. We've got some...a bunch of revisions to pass out here.

(Mr. Hall passes out revised exhibits.)

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Before we get into the basics, Don, why don't you explain what we've revised here and why?

A. After further review of the plat, it was determined that the tract lines were off just a little bit.

We've corrected it. If you compare it to the original plat, there's just a slight discrepancy in the property lines, which we've corrected in this new plat. By correction of those property lines, it changed the percentages that each tract contributed to the unit.

Q. Directly to 9:00 o'clock on the circle basically.

A. Right. About 7:00 o'clock as well. The changes that were created was it increased the unleased parties...a couple of the unleased parties' interest and everybody else's stayed the same. But these are the correct...the exhibit reflects the correction on the plat.

Q. Okay. So, because of that, since it changed...increased the interests of the unleased parties we also have a revised Exhibit B-3, correct?

A. That's correct.

BILL HARRIS: Excuse me. Do you say everyone else remains the same? If that increased, wouldn't they---?

DON HALL: Well, all of the leased parties... actually, Tract Number 1 got reduced. That's a leased party. Tract Number 2 got increased. Tract Number 3 remained the same. Tract Number 4 got increased. So, there was two tracts because of the adjustment got their interests increased.

BILL HARRIS: But you testified earlier that those increased but the others stayed the same.

DON HALL: I meant the unleased parties either increased or stayed the same. One of the leased parties stayed the same. Lorene Martin's didn't change, I don't believe. Maybe I misstated it.

BILL HARRIS: Well, no, I'm not sure---.

JIM KAISER: No, it didn't.

BILL HARRIS: I may have not understood what you were saying.

DON HALL: I meant the unleased parties either...the interest of the unleased parties have either increased or stayed the same.

BILL HARRIS: Oh, in...okay.

BENNY WAMPLER: He just stayed with the unleased parties.

BILL HARRIS: Yeah, yeah, okay. Yeah, I missed that part of it. Okay, thank you.

JIM KAISER: 2 and 4, which are unleased, went up and one went down, which was leased.

BILL HARRIS: Yes, okay. Yeah, I didn't hear the part that went down. I'm okay. Thank you.

Q. All right. Mr. Hall, are you familiar with the application that we filed here?

A. Yes.

Q. And Equitable owns the drilling rights in the unit involved here?

A. Yes.

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

A. Yes.

Q. And the interest under lease to Equitable at this time with the revision to the plat and the exhibits is 93.31%?

A. That's correct.

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

A. Yes.

Q. Which are Tracts 2, 3 and 4. So, the interest in the unit that remains unleased at this time is 6.69%?

A. That's correct.

Q. Okay. And all parties are identified?

A. Yes.

Q. There's no unknowns. And the addresses set out in Exhibit to the application are the last known addresses for the respondents to the best of your knowledge?

A. Yes.

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

A. Yes.

Q. Again, advise the Board as to what the fair market value of drilling rights are for this unit and the surrounding area?

A. We pay a five dollar bonus for 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.

JIM KAISER: Again, Mr. Chairman, I'd ask that the statutory election option testimony taken in 1969 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Okay, Mr. Hall, it's a conventional unit. We don't have any unknowns. So, the Board does not to create an escrow account, correct?

A. That's correct.

Q. And who should be named operator?

A. Equitable Production Company.

Q. Total depth of this proposed well?

A. 4780 feet.

Q. Estimated reserves for the unit?

A. 300 million cubic feet.

Q. Are you familiar with the AFE?

A. Yes.

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

A. Yes.

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

A. The dry hole cost is \$228,635 and the completed well cost is \$432,846.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved with the revised plat, the revised B and the revised B-3.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER AND BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for creation and pooling of conventional gas unit V-537767, docket number VGOB-07-0821-1993. We'd ask the parties that wish to

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

JIM KAISER: Again, Jim Kaiser and Don Hall, Mr. Chairman.

(Don Hall passes out revised exhibits.)

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Mr. Hall, if you will explain the revised exhibits to the Board.

A. Again, this is the same group of people that...for a conventional well. They obtained it out earlier where they were...we were putting them in a force...in a conventional...or a CBM well. It's the same Kaiser Heirs and so forth with the same...the same address changes and with the same party to be dismissed that we've leased which was Karen Hayes in B-2.

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

A. We do.

Q. Prior to the filing of the application and after the filing of the application, did you make efforts to attempt to obtain leases from the unleased interest owners

within the unit?

A. Yes.

Q. Okay. So, right now at this time, the percentage under lease to Equitable is 93.895654?

A. Yes.

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

A. They are.

Q. And the percentage of the gas estate that remains unleased is 6.1044346?

A. That's correct.

Q. Okay. We have the same unknowns as we had in the earlier hearing?

A. Yes.

Q. Again, you made reasonable and diligent efforts in an attempt to locate them?

A. Yes.

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

A. It was.

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

A. Yes.

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

A. Yes.

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

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

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

A. They do.

JIM KAISER: Again, Mr. Chairman, we'd ask that the election option testimony taken in 1969 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated. Would you repeat the percentages, please, of leased and unleased?

JIM KAISER: It should be...it will be 90...the percentage leased would be 93.895654 and unleased is 6.104346.

DON HALL: They're reflected in the new exhibits.

BENNY WAMPLER: I think when he called them out he reversed a couple of numbers is the reason I was just getting a clarification.

JIM KAISER: Oh, I did.

SHARON PIGEON: Uh-huh.

JIM KAISER: That's possible.

Q. The Board does need to establish an escrow account, is that correct?

A. Yes, that's correct.

Q. And that's for the unknown and unlocateable interest that are represented in Tracts 3, 4 and 5?

A. Yes.

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

A. Equitable Production Company.

Q. Proposed coal depth of this well?

A. 5805 feet.

Q. Estimated reserves for the unit?

A. 300 million cubic feet.

Q. Are you familiar with the AFE?

A. Yes.

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

A. It does.

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

A. The dry hole costs is \$252,904 and the completed well costs is \$459,291.

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 interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

DON HALL: I'd like to point out that the packet of Exhibits that I handed out does not have the Exhibit E in it. The Exhibit E didn't change from the original package.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Yes.

BOB WILSON: In order to make sure that we have the numbers correct here, you have leased a party between application time and now, but your percentage leased has gone down rather than up.

DON HALL: Oh, yeah. There was some parties that were shown in the initial application as leased that were actually unleased. So, they---

BOB WILSON: And that's all shown in the new exhibits?

DON HALL: Yeah. That's all corrected in the new exhibit.

JIM KAISER: It's a conventional well. So, everybody was notified.

DON HALL: Right.

BENNY WAMPLER: And you do have an Exhibit E.

JIM KAISER: Yeah, I've got one on mine.

DON HALL: My copy must not have stuck.

MARY QUILLEN: Uh-huh. Next to the last page.

DON HALL: Yeah, there it is. I'm sorry. I don't know what I was looking at.

BENNY WAMPLER: Questions from members of the Board?

MARY QUILLEN: I have one question, Mr. Chairman. You said that originally there were two parties that were not leased that had been listed as being leased?

DON HALL: Originally, we've got the parties involved in both tracts that are the same people. In one tract they're leased and the other tract they're not leased.

MARY QUILLEN: Oh, okay. Okay.

DON HALL: They were erroneously listed as listed
in both tracts---

MARY QUILLEN: Okay.

DON HALL: ---and we corrected that.

MARY QUILLEN: Okay. They were listed in both
tracts?

DON HALL: Right.

MARY QUILLEN: Okay.

JIM KAISER: They are in both tracts.

DON HALL: Yeah, they in both tracts.

MARY QUILLEN: Right.

JIM KAISER: In one tract they were leased and on
another tract they're not. It's such a small percentage, I
guess, in the second tract. When we went back, they just
said---

DON HALL: Yeah. We just can't people interested
in leasing a thousand of percent and stuff.

JIM KAISER: A .004% or something.

BENNY WAMPLER: Now, there is a change in the
original Exhibit E and the revised Exhibit E. You've got
Clyde Moore Zeientek and now it's Clyde Moore Powers.

DON HALL: That's correct. We were told by some
of the Heirs that he wasn't a Zeientek or whatever that word

is and he was Powers. We still don't know where he is.
They said we had the name wrong.

BENNY WAMPLER: So, that is a change?

DON HALL: Right.

BENNY WAMPLER: Other questions from members of
the Board?

(No audible response.)

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

JIM KAISER: We'd ask that the application be
approved as submitted with the revised set of exhibits to
reflect the current state of the unit.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER AND BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

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

pooling of conventional unit V-536029, docket number VGOB-07-0821-1994. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Jim Kaiser and Don Hall, Mr. Chairman.

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Hall, do you want to start with some background on this well?

A. Yes. We force pooled a conventional well last month that had a couple of tracts in it that were unleased. In preparing that application and that permit, we discovered that two of those tracts...actually there was three tracts, one of which we have the interim leased, but two of those tracts fell within this 6029 well that we have on the docket now. The problem is this well was drilled in 2004. At the time we drilled it, we were unaware that these tracts fell in the unit. We have since discovered that they do. We have leased...there was three tracts and we have leased one of those three tracts. The other two parties

have not shown any interest in leasing. So, we're back here to try to...this well was not force pooled in the beginning because we thought it was 100% leased at the time. But we're back now to make a correction on this particular location.

MARY QUILLEN: Mr. Chairman, could I ask a question at this point?

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: Is that Tract 3, 4 and 5---?

DON HALL: Yes.

MARY QUILLEN: ---of the ones---?

DON HALL: Right.

MARY QUILLEN: ---that you discovered?

DON HALL: We discovered it---.

MARY QUILLEN: Okay.

DON HALL: We discovered it in another---.

JIM KAISER: I guess when we were doing the title for the one that we force pooled last month.

DON HALL: Right. We've since leased Tract No. 3, but we have not been able to lease 4 and 5, which---.

MARY QUILLEN: 4 and 5, okay.

DON HALL: ---actually even though it's in two different names, it's the same person.

MARY QUILLEN: Right. Yes.

BENNY WAMPLER: All right. You may proceed.

Q. So, again, Mr. Hall, you're familiar with this application and your responsibilities include the land involved here?

A. Yes.

Q. And Equitable owns drilling rights in the unit involved?

A. We do.

Q. And prior to the filing of the application, you made efforts to contact each of the respondents owning an interest in the unit and made an attempt to obtain a voluntary lease?

A. We have.

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

A. We have 99.03%.

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

A. Yes.

Q. So, at this time .0...0.97% of the unit remains unleased?

A. That's correct.

Q. Okay. We don't have any unknowns or unlocateables?

A. No.

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

A. Yes.

Q. And you're requesting the Board to force pool the unleased interest as listed at B-3?

A. Yes.

Q. You're familiar with the fair market value of drilling rights in this unit?

A. We are.

Q. Advise the Board as to what those are?

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

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

A. They do.

JIM KAISER: Mr. Chairman, again, we'd ask that the statutory election option testimony first taken in item 1969 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Now, Mr. Hall, we don't need to establish and escrow account for this well, is that correct---?

A. That's correct.

Q. ---or the Board doesn't need to?

A. That's correct.

Q. And who should be named operator?

A. Equitable Production Company.

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

A. It's 6207 feet.

JIM KAISER: And I might point out that the application says 6160, so that needs to be corrected.

BENNY WAMPLER: The correct number 62---.

JIM KAISER: 6207.

Q. And the estimated reserves for this unit?

A. 300 million cubic feet.

Q. Are you familiar with an AFE...with the AFE?

A. Yes.

Q. And in your opinion, does it represent a reasonable well cost?

A. Yes.

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

A. The dry hole cost was \$218,473 and the completed well cost was \$393,503.

Q. Do these costs anticipate a multiple

completion?

A. Yes.

Q. And does your AFE include a reasonable charge for supervision?

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: We were just discussing earlier these very deep conventional wells and the cost increases considerably. This one, you got a real bargain on this one.

DON HALL: It was built three years ago.

MARY QUILLEN: Oh, okay. Okay, I gotcha. Thank you.

JIM KAISER: Yeah, it was probably about a 40% or

50% bargain. Yeah.

MARY QUILLEN: Yeah, yeah.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Good pickup though.

MARY QUILLEN: Pardon?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes, but Bruce Prather.)

BENNY WAMPLER: Opposed, say no.

BRUCE PRATHER: Abstain.

BENNY WAMPLER: One abstention, Mr. Prather. Next is a petition from Equitable Production Company for a well location exception for proposed well V-536728. This is docket number VGOB-07-0821-1995. We'd ask the parties that

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

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Don Hall.

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. They do.

Q. Are you familiar with the application that we filed seeking a location exception for well V-536728?

A. Yes.

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

A. They have.

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

A. We have a 100% leased.

Q. And does Equitable have the right to

operate any reciprocal wells?

A. We have the right to operate one of the reciprocal...well, yeah, the only reciprocal well, yes.

Q. Okay. So, there's no correlative rights issues?

A. No.

Q. Okay. Explain for the Board, in conjunction with the exhibit that you prepared, why we're seeking this exception.

A. You probably need to look at the plat along with the exhibit.

Q. Yeah, it would be the easiest thing to do is just to lay them side by side.

A. So, that I can explain. We're only 38...less than 38 feet short of the location exception. If you look at the exhibit that I just passed out, if move on up Little Prater east you would be on top of a nice flat looking knob there. But if you look at the plat, the property line runs rights down the middle of that knob. The leased...the party that we have leased owns to the western side of that property line. We positioned this well so that we would least interfere flat area up there and put the well there to---.

Q. To stay away from his best surface?

A. Right, yeah. To minimize the impact on his better piece of property is the reason that's it's where it ended up being.

Q. Again, it's an exception of less than 38 feet, right?

A. That's correct, yeah. The well to the northeast is...it's EH-86, which is currently owned by Appalachia Energy, but it's 2900 feet. So, it's more than far enough. Evidently, based on the circles that we're seeing there that overlapped, when they drilled that well they evidently had gotten a location exception from 1913 themselves at that time.

Q. Or the spacing could have been different.

A. Yeah. But the reason was to try to work with the surface owners to minimize the impact on his better piece of property, plus to avoid a property line that runs down the center of that point.

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

A. 250 million cubic feet.

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

A. 4998 feet.

Q. And you're requesting this location exception to 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, the granting of this application would be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for V-536728?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

BRUCE PRATHER: I have a question. Don, how far are you off the property line with this well?

DON HALL: It looks like probably 250 feet.

BRUCE PRATHER: Okay. That's good.

BENNY WAMPLER: Other questions?

MARY QUILLEN: I have---.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---just one questions. It says the

"surface owner". Is this an individual or is this a company? Are they---?

DON HALL: This is...yes. Where the well is located is an individual. If I can find the correct plat here, it's Richard Edwards. He also owns the oil and gas. So---

MARY QUILLEN: Oh, okay. Thank you.

DON HALL: So, we stayed on his property. Had we gotten on that knob, we would have impacted some individual that did not own the oil and gas.

MARY QUILLEN: And this is in the Haysi quad. So, I'd say that those are rare flat areas.

DON HALL: Yeah, flat. Yeah, they are, as far as that situation.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for modification of the Nora Coalbed Gas Field Rules to allow for drilling of an additional well in units BR-49, BS-47, BT-46, BT-47, BU-46, BU-49 and BB-46. This is docket number VGOB-89-0126-0009-13. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, it will be Jim Kaiser and Mike Kovarik on behalf of Equitable Production Company. I'd ask that Mr. Kovarik be sworn in when he gets ready here.

(Mike Kovarik is duly sworn.)

JIM KAISER: Yeah, we've got three of these coming up. He's just going to hand out his presentation on all three of them, I guess, at one time here.

(Mike Kovarik passes out exhibits.)

MIKE KOVARIK: The Lambert land will be the first, I believe.

JIM KAISER: No, Sally Branch, isn't it?

MIKE KOVARIK: Middle Fork. Middle Fork is the first, Sally Branch is the second one and Lambert third.

JIM KAISER: Okay.

MARY QUILLEN: Okay. Middle Fork, Sally and Lambert?

MIKE KOVARIK: Yes, ma'am.

JIM KAISER: Okay. And on Sally, I don't want to get ahead of myself, but we did remove...from the original application we removed one unit because we had I believe maybe it was a forced pool unit. We had some unleased interest or something.

BENNY WAMPLER: Strike that...strike all of that. We're not on that. That's---

JIM KAISER: All right. We'll get to that one.

BENNY WAMPLER: That's okay.

JIM KAISER: Ready, sir?

BENNY WAMPLER: Ready.

MIKE KOVARIK

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Kovarik, I know you've testified before the Board on these before. But, again, for edification purposes, kind of quickly go through your work experience.

A. It's Mike Kovarik. I'm the Director of Reserve Development for Equitable Production Company in Pittsburgh. I've worked in the industry for about twenty-five years.

Q. Okay. Again, what we're seeking here is a modification of the Nora Coalbed Gas Field Rules to be allowed to drill a second coalbed methane well within the unit in the interior window of the unit. I guess we've had probably what maybe three or four of these applications...two approved in the past. Then, I'm just going to kind of let him go. We've got a fee mineral situation here. The coal owner is on Board. The only correction I need to make before I let him do his presentation is the original application lists the EUR, the estimated ultimate recovery, is 700 mmcf. It should actually be...if you can make...change that to say a 525 in this particular field...this particular area. With that being said, I'll let him go.

A. Okay, the Middle Fork will be the first exhibit you see here. It's just a map showing the units that we would like the field rules changed on. Seven units

there in Middle Fork B. The second exhibit, it has more of an area map that shows...first of all in the shady area is the original Middle Fork wells, there's sixteen wells, that we drilled a second well on each of those units in 2006. It was October...September or October, 2006. Also, in the shady areas, in the north eastern part of the map, is Lick Creek Lebanon area where we drilled second wells in those units in April of this year. What we're coming today for are...well, Middle Fork B you can see is just to the south of the Middle Fork, sixteen in that area. Lambert Land is to the east. The Sally Branch is to the northwest. The next exhibit, it would be exhibit three---

JIM KAISER: Do you want to just letters or numbers?

BENNY WAMPLER: It doesn't matter.

JIM KAISER: It doesn't matter. We'll call it three then.

MIKE KOVARIK: Okay. This will be Exhibit 3. It's a production plot of the sixteen unit Middle Fork CBM increased density area that we drilled in September and October of 2006. The green line is the plot or production rate of the original sixteen wells in those units between October and the end of July of this year. These daily rate numbers. The red line then is...represents the production

rate for the sixteen increased density wells that we drilled last year. you can see that the incremental rate between the green and the red lines is about 1.4 million cubic feet per day. So, it is...in our eyes it's very successful today.

Exhibit Four then would be a similar plot for the eleven Lick Creek units that we drilled in April of this unit. The green line again is the original eleven wells, the production rates. The red line is the incremental production from the eleven separate wells that we drilled at Lick Creek. Again, we're really happy with the results to date on both of these properties.

Q. So, you're seeing a desired...you're seeing desired effect that you were looking for and undertaken?

A. Absolutely...absolutely.

BENNY WAMPLER: You're averaging this to get this...you're averaging the productions? Are you averaging---?

A. On this...no, this the total...the total...look at the Middle Fork sixteen well plot.

BENNY WAMPLER: Exhibit Three.

A. Exhibit Three. This is the actual production rate for, again, the green line, the original sixteen wells total. Okay. So, that's almost two million

cubic feet a day for the sixteen wells. Then the incremental red line on top of that is the total for those sixteen second wells that we drilled.

BENNY WAMPLER: Okay.

A. So, on average, it's about 65 to 70 mcf per day per well for the sixteen increased density wells.

BENNY WAMPLER: What's do to the life of the well, in your opinion?

A. The life of the original well?

BENNY WAMPLER: Yes.

A. The life of the original well, again, that's quite a ways away. But in my opinion, it will probably be shortened because of the drilling of the second well.

BENNY WAMPLER: Any particular percentage you would have in mind?

A. I can't say right now.

BENNY WAMPLER: Go ahead.

A. Exhibit Five is a plot, it should say six of seven units. There are six original wells in the seven units that we're looking at today at Middle Fork B. There's one well that has yet to be drilled. So, this is just a production plot of the six original wells in the seven units showing that they're making and total about 230 to 240 mcf

per day in total for the six wells.

BENNY WAMPLER: What's the red line? What's the red?

A. The red line is the total production rate...gas production rate from the six currently producing wells in Middle Fork B. The previous plots were the projects that we've done so far to date. This is a plot of the wells that are producing in the area that we want to...want increased density wells on today.

Q. So, that's the production from the existing wells in the units that we're asking for a second well in today?

A. Yes. In Exhibit Six here just a breakdown of the calculation of the EUR, estimate ultimate recovery, the 60...total 60 acre unit for the wells...for the units that we're bringing today.

Q. And these are all voluntary units, right? None of them have been force pooled?

A. No.

BENNY WAMPLER: None of them will be forced pooled or will be---?

JIM KAISER: Right. None of them were originally and none of them will be at this time.

A. So, in summary we've got two projects that

we're very happy with so far today. We would like to continue that with the building of second wells on the seven units at Middle Fork B.

Q. So, it would be your opinion, based upon increased density wells that you have this data on, that you are...it's pretty much tracking what you thought it would do and it's getting more gas out at a quicker rate which benefits not only the operator but also the royalty owner and the county in the form of severance tax?

A. That's correct. Absolutely.

BENNY WAMPLER: Tell us about notice, how you believe that notice has been properly effected.

JIM KAISER: We noticed all oil, gas and coal owners within each of those units. Hopefully, we have an Exhibit B to that effect. I've got all the green cards right here if you need it.

BRUCE PRATHER: Mr. Chairman, I have a question.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Mike, have any of these wells in this area shown any type of interference from the drilling of your previous wells?

MIKE KOVARIK: If you look at---

BRUCE PRATHER: I don't see it in this one year. But I just wondered, have you got any evidence that

anywhere?

MIKE KOVARIK: In the Middle Fork plot Exhibit Three, if we look at that, it's kind of hard to tell with this plot, but we have seen some decrease in the production rate from some of the wells...the original wells in Middle Fork. We're still not convinced that all of that's due to what's happened below the ground. A lot of it we think...I know for a fact it is due to some of the production operations on the surface. Whether line pressures...with line pressures getting higher, if we had enough compression to handle the excess gas and getting...I know one well dropped considerably between November and the first part of June. But that was mainly due to the pumping unit not pumping correctly. So, the pumper went out and we calibrated the pump and got production back up. So, we have seen effects.

BENNY WAMPLER: Other questions?

BILL HARRIS: I do have one quick question.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: A question about your percentage calculation on that last page. I think you said it was page six maybe. You have an average first well EUR, estimated, I guess, reserves there. That percent of first well attributed to the second well you have .65. Is that 65%?

MIKE KOVARIK: Yes.

BILL HARRIS: Okay. Because...I mean, I read that as listed here as .65%. But you're saying it's 65%---

MIKE KOVARIK: That's...yeah, that's correct.

BILL HARRIS: ---converted to a decimal.

MIKE KOVARIK: It's labeled incorrectly, yeah.

BILL HARRIS: Okay. I just wanted to make sure about that.

MIKE KOVARIK: I'm sorry about that. (Inaudible.)

BILL HARRIS: Okay. Thank you.

BENNY WAMPLER: Other questions from members of the Board?

BRUCE PRATHER: In most of these units---

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: ---do you have all of the adjoining acreage? In other words, the drilling that you're going to be doing down here is in the drilling...infill drilling within your leases?

MIKE KOVARIK: Yeah.

JIM KAISER: Yes.

BRUCE PRATHER: Okay. So---

MIKE KOVARIK: Yes. The blacked out...as a matter of a fact, the blacked out line here is leased. It's 1% of this lease.

BRUCE PRATHER: So, basically, what it amounts to is you're willing to take this risk in drilling more wells per unit?

MIKE KOVARIK: Yeah.

BRUCE PRATHER: It effects you and nobody else on the working interest?

MIKE KOVARIK: On the working interest, no. We have working interest partners in the wells.

BRUCE PRATHER: Okay. Okay. Yeah.

BENNY WAMPLER: And they've agreed to this?

MIKE KOVARIK: Yes.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Are you okay with, Mr. Wilson?

BOB WILSON: I'd like to, again for purposes of eventually getting an order out here, have them state exactly what they're requesting relative to the number of wells per unit, set backs within the unit and this sort of thing. The standard requirements for modifying the field rule.

JIM KAISER: We would direct you to the application to paragraph two and paragraph for those purposes. Hopefully, that's sufficient.

BENNY WAMPLER: Does that address that?

BOB WILSON: Again, this...the application states that they're requesting to allow more than one coalbed gas well be drilled within each unit, which basically is open-ended.

BENNY WAMPLER: Right.

BOB WILSON: I'd like to see that addressed if possibly.

JIM KAISER: Okay. Are we...Mr. Kovarik, are we seeking to drilling just one additional well within the unit?

MIKE KOVARIK: Yes.

JIM KAISER: So, for a total of two wells?

MIKE KOVARIK: Yes, that's correct.

BENNY WAMPLER: Anything further?

(No audible response.)

BENNY WAMPLER: Other questions?

(No audible response.)

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

JIM KAISER: We'd ask that the application be approved as submitted with the change in the EUR in paragraph eight from 700 to 525.

BENNY WAMPLER: And the cleanup that we discussed as well---.

JIM KAISER: And the cleanup that we just discussed here previously. The order will specifically state that it allows for just one additional to be drilled within the unit.

BENNY WAMPLER: As well as the exhibit discussions where we made corrections. I'm just clarifying for the record here because we've made corrections on several exhibits. Is there a motion?

BILL HARRIS: Motion for approval as amended and corrected.

BENNY WAMPLER: Is there a second?

MARY QUILLEN: Second.

BRUCE PRATHER: I'll second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for modification of Nora Coalbed Gas Field Rules to allow for drilling of an additional well in units BJ-24, BK-21, BK-24, BL-21 to BL-

23, BM-21 to BM-23 and BN-18 to BN-20. This is docket number VGOB-89-0126-0009-14. We'd ask that parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, in this particular case, it will be Jim Kaiser, Mike Kovarik and we're going to add Ms. Rita Barrett. So, that I don't have to be, you know, doing what we did here last time. So, we ask that she be sworn at this time.

(Rita Barrett is duly sworn.)

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

JIM KAISER: And we'll...okay, we'll start with Rite.

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Rita, if you could go over for the Board what your work experience is and your particular job responsibilities with Equitable?

A. I'm a Landman Three for Equitable

Production Company. I've been in this industry since 1989.

Q. Okay. Now, when we filed this application originally we had an additional unit that we were going to seek one additional well in and that is...would be identified as unit BN-18?

A. That's correct.

Q. And we have since...there should be something going around, a corrected first page for everybody. We have since amended the application to remove that unit from the application. Could you explain to the Board why we did that?

A. Doing title research for that particular unit, we discovered private oil and gas ownership that would not have been properly notified in this application.

Q. And the units within this Sally Branch area that we seeking...I guess, we now have one, two, three, four, five, six, seven, eight, nine, ten, eleven, twelve, thirteen units that we're seeking permission to drill one additional coalbed well in. Are all thirteen of those units, are they all 100% voluntary units under lease to Equitable?

A. They are.

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

BENNY WAMPLER: Question from members of the Board?

MARY QUILLEN: Mr. Chairman.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: On this revised handout they just gave, it says "Allow more than one coalbed gas field." Do we assume that you're changing it to read exactly like the previous to read one additional---

JIM KAISER: Yes. Again, Mr. Kovarik, you're only seeking the Board's permission to drill one additional coalbed well within each unit, right?

MIKE KOVARIK: That's correct.

JIM KAISER: Okay.

MIKE KOVARIK: For a total of two.

JIM KAISER: And this...again, just housecleaning. Again, in paragraph eight on the EUR, that should be... instead of 700 on this one, it should be 475. I think I marked that on the ones that we passed out.

BENNY WAMPLER: You did.

JIM KAISER: Should I move to my next witness?

BENNY WAMPLER: This is Sally Branch, right?

JIM KAISER: Yes, sir.

BENNY WAMPLER: Just for clarification. Yes, go ahead and call your next witness.

MIKE KOVARIK

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Kovarik, if you could again go through your presentation on this particular project.

A. The first exhibit that we have here is that one is a map showing the thirteen units of Sally Branch that we would like field rules changes on for increased density. Exhibit Two then is an early map showing the Middle Fork and Lick Creek areas that we've drilled a second well in.

BENNY WAMPLER: Let me just stop you just one second. We were handed a second Exhibit A. What changed on that? Anything?

A. No, it's the same.

BENNY WAMPLER: All right. I just wanted to clarify it.

A. They're both the same.

BENNY WAMPLER: Go ahead.

A. Okay. Again, Exhibit Two is an area map of the two projects that we've drilled second wells in so far, Middle Fork and Lick Creek. We've got a total of twenty-seven wells in those. The yellow areas are the projects that we're bringing forward today for (inaudible) Sally

Branch, Middle Fork and Lambert Land. Sally Branch is the northwestern most area that we've got. Exhibit Three is a production plot of our original Middle Fork sixteen well project. The green plot represents production rate for the total of the sixteen wells...original wells in Middle Fork. The red line represents the incremental production rate due to the sixteen second wells that we drilled in those sixteen Middle Fork units. By this, that the incremental rate in those sixteen wells is about 1.4 million cubic feet today. Exhibit Four would be a production plot of the Lick Creek Project. The eleven original wells are in green. The eleven second wells are in red so that they have an incremental rate of 800 mcf per day in total for that project. So, we're pretty clean with both of those projects. Exhibit Five then would be the calculation of the EUR for the total unit. This is a little different than the Middle Fork D Exhibit in that we don't have any producing wells in the Sally Branch area as of right now. We drilled several in July. We don't have any production data for those wells. So, we have no history for those units. So, what I did was used some analogist nearby wells and determined the first well EUR from the Sally Branch based on the EURs for those wells and then adjusted for treatable coal in those wells versus treatable coal in the Sally

Branch wells that we drilled in July. With that, that was about an 85% factor on the analogist wells to get to about a 288 million EUR for the Sally Branch wells. Then the fraction, again the percentage...it should be fraction, of that first well attributed to the second well would be 65%. So, the second well EUR is a 187 million. The total EUR would be 475 million cubic feet. In summary, we're very pleased with our CBM infill project. We would like to proceed with drilling second wells in Sally Branch.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman, I have a couple of questions.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: One is about that percent again.

MIKE KOVARIK: Yes, sir.

BILL HARRIS: The .65, now, how did you determine that? You told us how you determined the .85. The .65, is that like an estimate or is that based on what you've observed in units that were already drilled?

MIKE KOVARIK: It's an estimate that we've gathered from the work that CNX has done at Oakwood Field to the north and west. It's a neighboring field. It's basically the same hole. A lot of the testimony they have

given, talk about the second well producing at 150 to a 100% of the EUR of the original well. Like I say, we're pretty prompt and pretty pleased with the projects that we've done so far. So, we feel like the 65% is about as accurate as we can get right now.

BILL HARRIS: Okay, okay. I do have one other. Thank you for that. One other question about you production. I guess it's the number three where you show the Middle Fork CBM.

MIKE KOVARIK: Yes, sir.

BILL HARRIS: I meant to ask this earlier. I noticed that that sort of levels off toward the end there. Do you...what kind of performance do you expect beyond this date, I guess, because that has 7/31? So, it was the end of July.

MIKE KOVARIK: Well, the red one in those level off. If take into account the decline in the green line, that still represents a little bit of increase in the red line.

BILL HARRIS: Oh, yeah, overall production of it. Yeah.

MIKE KOVARIK: But what we expected from these wells was to increase to about 85 to 90 mcf per day after about six months. So far these wells are doing about that.

They've made it to on average about 80 mcf a day. We've got enough data to show that after four to six months the wells have leveled off. I expect those...that production rate to stay...maintain at a level rate for probably about two years and then begin to decline off.

BILL HARRIS: Thank you.

BENNY WAMPLER: Other questions from members of the Board?

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: What is your average decline after...after you get that big boost, what is your average decline out for fifteen years?

MIKE KOVARIK: Well, for---.

BRUCE PRATHER: 10% or 80%?

MIKE KOVARIK: Beginning at 15% and about a hyperbolic factor of 1.

BRUCE PRATHER: Okay.

JIM KAISER: I have a couple more questions for Ms. Barrett.

BENNY WAMPLER: Okay.

RITA BARRETT

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. KAISER:

Q. Now, Ms. Barrett, would it be your testimony that this particular area that we're asking for the one additional coalbed well in these particular thirteen units have one fee mineral owner, coal, oil and gas and that owner has been notified and they're fully on Board with this?

A. Yes.

BENNY WAMPLER: Any other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted, with all the caveats that we had the last time.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval as amended.

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Again, just for clarification, that approval does exclude unit BN-18, is that correct?

JIM KAISER: Correct.

BENNY WAMPLER: Yes. Next is a petition from Equitable Production Company for modification of the Nora Coalbed Methane Gas Field Rules to allow for drilling of an additional well in units BQ-55 and 56, BR-55 to BR-60, BS-55 to BS-58, BT-55 and 56 and BU-56. This is docket number VGOB-89-0126-0009-15. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser, Rita Barrett and Mike Kovarik. We'll start with Ms. Barrett.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, in this particular case, I think there's fifteen additional units that we're asking for an additional increased density well in. There is...all these units are a 100% under lease to Equitable?

A. Yes.

Q. In this instance, there is, again, just one fee mineral owner, meaning coal, oil and gas owner and that owner has been notified and is again on Board with this project?

A. Yes.

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

BENNY WAMPLER: Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

MIKE KOVARIK

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Kovarik, before you get into your standard testimony again, would it be correct that again we need to amend paragraph eight on the application, the EUR, from 700 to, in this case, 475?

A. (No audible response.)

Q. Yes?

A. Yes, that's correct. I'm sorry.

BENNY WAMPLER: Also, while we're on that, let's

just clarify the application that you're talking about.

JIM KAISER: Yes. Again, we are asking for, in addition to what is stated in two and four, to clarify that further, we are asking just the right to drill one additional coalbed methane well in those fifteen units.

BENNY WAMPLER: Correct?

MIKE KOVARIK: Yes, that's correct.

BENNY WAMPLER: I can't let him testify. We have to let you testify.

JIM KAISER: I haven't been sworn.

(Laughs.)

SHARON PIGEON: Although, you are correct in that testimony.

Q. Oh, no, I do not how...if you want to go...I guess most of your exhibits are going to be the same again.

A. Yes. The first exhibit here is a map of the fifteen Lambert Land units that we're bringing forth today. The next three exhibits, two, three and four are identical to the ones that we saw in the last two applications. So, with your permission, if we could go to Exhibit Five here.

BENNY WAMPLER: Sure.

A. Exhibit Five is a plot of the production

rate for thirteen of the fifteen units that we're bringing in the application today. Two of those of the fifteen units aren't drilled yet. So, they don't have a well on them. So, we've got thirteen wells. In total, these wells are making just under 800 mcf a day for the thirteen wells. Just for information. Again, the EUR calculations for the Lambert Land wells, we've got enough wells in the area to make it significant so that the average first well is about 288 million per well. If, again, you take the percent out of their and call that a fraction of the first well attributed to the second well of 65%. The second well EUR would be 187 million and the total unit EUR would be 475 million for the sixty acres. Again, with the success of these, we would like to proceed with Lambert Land increased density drilling.

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

(No audible response.)

BENNY WAMPLER: Do you have anything further?

(No audible response.)

BENNY WAMPLER: Mr. Chairman, we'd ask that the application be approved as submitted with the various amendments and changes that was made specifically to this one and to generically to all three of them.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BENNY WAMPLER: Is there a second?

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 826381. This is docket number VGOB-07-0821-1996. We'd ask the parties that wish to address the Board in this matter to come forward at this time. Are you okay without a break to continue?

(No audible response.)

JIM KAISER: Mr. Chairman, for the next four... well, that's three...when is the location exception, last?

STAN SHAW: Yeah.

JIM KAISER: Okay, the next three matters, the three force poolings, it will be Jim Kaiser, Dennis Baker

and Stan Shaw on behalf of Chesapeake and Appalachia. I'd ask that Mr. Shaw and Mr. Baker be sworn at this time.

(Dennis Baker and Stan Shaw are duly sworn.)

JIM KAISER: Okay.

BENNY WAMPLER: The record will show no others.

You may proceed.

JIM KAISER: I'm going to start with Mr. Baker.

We've got all kinds of revised stuff to pass out.

(Jim Kaiser passes out revised exhibits.)

JIM KAISER: Okay. Mr. Baker, before we get into your regular testimony, go ahead and explain the revisions to the Board.

DENNIS BAKER: On the application, the well plat indicated Tract 5 as being owned by Anita Atkins Rife. The title work performed indicated that we had another individual that owned a small interest. So, what we had to do in the revision was Tract No. 5 was actually split. Anita Atkins Rife a portion of it, a 100%, and the other portion, which is on the revised exhibit, shows Anita Atkins Rife owning a nine-tenths interest, one-tenth being owned by a Carl Joseph Wolford who is unknown and unlocateable. The additional persons on the exhibit submitted with the application would move down a notch as far as tract number go. Tract Nos. 7, 8 and 9 were originally 6,7 and 8. So,

the only thing that has changed is Tract No. 5.

JIM KAISER: Is everybody clear on that?

(No audible response.)

MARY QUILLEN: So, Anita Rife owns...has ownership
in Tract 5 and Tract 6?

DENNIS BAKER: Yes...yes.

BENNY WAMPLER: And to change that, did you create
a Tract 6?

DENNIS BAKER: Yes...yes.

SHARON PIGEON: Not a Tract 5, I think, as
originally set up.

DENNIS BAKER: Tract 5 on the original application
is now 5 & 6.

BENNY WAMPLER: She has a 100% in 6?

DENNIS BAKER: Tract...yes, Tract 6. Yeah, a
100%.

BENNY WAMPLER: All right. Go ahead.

JIM KAISER: What do you need?

BOB WILSON: I need more exhibits.

JIM KAISER: What do you need?

BOB WILSON: We're going to need an E. We're
going to need a B-3. We're going to need an A and a plat.

JIM KAISER: I've got a B-3 and I've got an E.
Here you go.

BENNY WAMPLER: I think they're holding out. He has got a plat too, I think.

BOB WILSON: Oh, okay.

JIM KAISER: I've got a plat. Here, I've got tons of stuff.

BOB WILSON: You were just waiting for me to ask, right?

JIM KAISER: Here.

BENNY WAMPLER: I was going to ask him---

JIM KAISER: Here why don't you take this original one, Bob.

BENNY WAMPLER: ---what he was going to do with the rest of his information.

JIM KAISER: You're such a pain.

(Laughs.)

JIM KAISER: I'm just kidding. These---

BOB WILSON: I'll remember that.

JIM KAISER: I knew Susan had copied everything. I just thought maybe Dennis had copied it too. That's what you need.

JIM KAISER: All right. So, 5 become 5 and 6 and 5...in 5 there's a one-tenth interest attributed to this Carl Wolford who is unknown and unlocateable. So, we're cool on notice because you can't notice an unknown or

unlocateable. So, are we ready to go?

(No audible response.)

DENNIS BAKER

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Dennis Baker. I'm employed by Chesapeake Appalachia, LLC as a Senior Land Representative.

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

A. Yes, they do.

Q. Are you familiar with the application that we filed seeking to establish a drilling unit and pool any unleased interest in the unit for well number 826381, which was dated July the 20th, 2007?

A. Yes, I am.

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

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 made to work out a voluntary lease agreement with each of them?

A. Yes.

Q. Okay. Now, at this time, what is the interest under lease to Chesapeake within the unit?

A. At the present time, we have 90.104120% leased.

Q. And...I didn't keep a copy of those revisions for myself. At this time then, what percentage of the unit remains unleased?

A. 9.895880.

Q. Okay. All of the unleased parties are set out in revised Exhibit B-3---?

A. Yes.

Q. ---correct?

A. Yes.

Q. All right. And we do have the one unknown interest owner, the one-tenth interest in Tract 5?

A. Yes...yes.

Q. All reasonable and diligent efforts were made to attempt to locate that individual?

A. Yes.

Q. So, in your professional opinion, due diligence has been exercised to locate each of the respondents?

A. Yes.

Q. And the addresses set out in revised B, to the best of your knowledge, are the correct addresses for the respondents?

A. Yes.

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

A. Yes.

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

A. Yes, I am.

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

A. Five dollar per acre per consideration, a five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask that the

election option...statutory election options afforded the
unleased parties, their time frames in which to make them
and the ramifications thereof and the testimony taken
earlier in 1969 be incorporated for purposes of this
hearing.

BENNY WAMPLER: That will be incorporated. Do you
agree to that?

A. Yes...yes.

Q. Mr. Baker, the Board does need to establish
an escrow account for the one tract, correct?

A. Yes.

Q. And that's Tract 5?

A. Tract 5, Paul Joseph Wolford.

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

A. Chesapeake Appalachia, LLC.

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

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, do your responsibilities include the land involved in this unit?

A. They do.

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

A. Yes.

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

A. 6,085 feet.

Q. Estimated reserves?

A. 350 million cubic feet.

Q. Are you familiar with the well costs?

A. Yes.

Q. Has 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. Yes.

Q. Could you state for the Board both the dry

hole costs and completed well costs for this well?

A. The dry hole cost is \$324,881 and the completed well costs are \$602,137.

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 interests of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: What does your DGO-7 supplement mean?

JIM KAISER: Hum---.

BENNY WAMPLER: You're going to have Mr. Baker on that. Well unit, property owner index. Does the list the

tie back for the plat?

DENNIS BAKER: Yes. I have...I have that, yes.
But we don't have copies of it.

JIM KAISER: You've got it in your original application. Yeah, it's like a mineral interest owner sheet that tie back to 1 through...the numbers of other Tracts 1 through 8 on the plat. I think you've asked us to do that when we have a lot of owners and don't put the actual ownership information on the plat itself. I'm not sure it has been updated. It has not been updated to include the additional interest in 5 or the additional tract.

BENNY WAMPLER: Right.

JIM KAISER: So, we would refer you to the revised Exhibit B for that. It's something that normally goes with the permit application for informational purposes.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

BENNY WAMPLER: Is there a second?

BRUCE PRATHER: Second.

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a
petition from Chesapeake Appalachia, LLC for creation and
pooling of conventional gas unit 826619. This is docket
number VGOB-07-0821-1997. We'd ask the parties that wish to
address the Board in this matter to come forward at this
time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser,
Dennis Baker and Stan Shaw on behalf of Chesapeake.

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

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, before we get started, just
explain what the revised Exhibit B reflects.

A. The revision on the original application on

the Exhibit B had a double asterisks under Tract 1 and 2 pooling for unitization. We have obtained a voluntary unitization agreement with Buchanan Energy. So, therefore, we remove the request for pooling.

Q. In other words, I guess, they've amended their lease to allow for pooling?

A. Uh-huh. Yes, that's correct.

Q. Mr. Baker, 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 drilling unit and pool any unleased interest in that unit?

A. Yes, I am.

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

A. Yes.

Q. And prior to the filing of the application, were efforts made---

BENNY WAMPLER: Just for the record, Ms. Quillen had to leave. We still have a quorum. Go ahead.

Q. You made an effort to contact each of the respondents owning an interest in the unit and made an attempt to work out a voluntary lease agreement?

A. Yes.

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

A. Currently leased to Chesapeake is 99.374162%.

Q. And the percentage unleased at this time?

A. .625838%.

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

A. Yes.

Q. And we don't have any unknown or unlocateables?

A. No.

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

A. Yes.

Q. The addresses set out in Exhibit B are the last known addresses?

A. Yes.

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

A. Yes.

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

A. Yes, I am.

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

A. A five dollar per acre consideration, a five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, again, we'd ask that the election option...statutory election option testimony taken in hearing number 1969 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Baker, we don't need to establish...the Board does not to establish an escrow account here?

A. That's correct.

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

A. Chesapeake Appalachia, LLC.

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

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, are you familiar with the plan of exploration for this well?

A. I am.

Q. And what's the proposed depth?

A. 6,390 feet.

Q. And the estimated reserves for the unit?

A. 300 million cubic feet.

Q. And are you...have you seen a...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. Would you state both the dry hole costs and completed well for this...completed well costs for this well, please?

A. The dry hole cost is \$302,179 and the

completed well cost \$564,323.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Actually, this is sort of personal information. We had a discussion just before the meeting started about what happens when you straddle the line, the West Virginia line. Could you all discuss that about royalty payments, if any, or what happens?

STAN SHAW: Do you me to?

BILL HARRIS: Anyone who can answer?

STAN SHAW: West Virginia would consider this a shallow well and then it has---

BILL HARRIS: Shallow?

STAN SHAW: Yeah, anything from the (inaudible) going up---

BILL HARRIS: Anything from?

STAN SHAW: It would be the next formation or deeper.

BILL HARRIS: Okay. I'm not sure if I understand. Go ahead and finish.

STAN SHAW: In that case, they don't have any spacing rules at all.

BILL HARRIS: Which means?

STAN SHAW: You can drill---

JIM KAISER: So, actually, the only recourse if somebody drills a well five feet off your property line, your only recourse is to drill a well to protect your property from being drained.

BENNY WAMPLER: There's no---

JIM KAISER: There's no spacing.

BENNY WAMPLER: ---spacing and no field rules.

BILL HARRIS: So, if I live across the across the line ten miles over and I'm in that or two miles over or

whatever and I'm in that circle, then I'm not included is that what happens or...I guess---

BENNY WAMPLER: We don't...we don't extend beyond the border with any of requirements.

JIM KAISER: There's no jurisdiction.

BENNY WAMPLER: We have no jurisdiction.

BILL HARRIS: So, even...okay, okay.

BENNY WAMPLER: And we ask them not to even put things on across the border because of that.

BILL HARRIS: So, the next obvious question is what happens when the folks on the other side are not...they're just not included in the pooling? I mean, there's not way to encompass them.

BENNY WAMPLER: Even West Virginia wouldn't do it if it were in their own state.

BRUCE PRATHER: If the well is not drilled on their property, they don't get any of the royalty. They're just shutout.

JIM KAISER: No spacing and no pooling for shallow wells.

BRUCE PRATHER: No spacing and no---

JIM KAISER: It's just strictly a rule of capture.

BRUCE PRATHER: Yeah, rule of capture.

BENNY WAMPLER: But anyway, we don't extend beyond

the border.

JIM KAISER: Same thing happens with Kentucky sometimes.

BENNY WAMPLER: Right.

BILL HARRIS: I had seen that before, but I just wondered what...if we had some obligation to cross the border, I guess, and contact those folks, but I guess that's---.

BENNY WAMPLER: We've talked with them. I mean, you know, we've had discussions with them about that.

BILL HARRIS: Thank you. Thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be as approved as submitted with the one change to the Exhibit B.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion to approve.

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 826620. This is docket number VGOB-07-0821-1998. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser, Dennis Baker and Stan Shaw on behalf of Chesapeake. Again, we have the exact same situation really that we had in the previous hearing. The original application, the Exhibit B asterisks to show that the Buchanan Energy interest was being pooled for unitization purposes. Again, they have amended the lease, at least for these tracts, to allow for pooling. We've got that change there and then the only unleased interest is the Kraul Estate, which is leased to CNX. It's just a little bigger tract than it was the last time.

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

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, does Chesapeake own drilling rights in the unit involved here?

A. Yes, we do.

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

A. Yes.

Q. What's the interest of Chesapeake that's under lease within this unit?

A. Currently leased to Chesapeake is 77.105332%.

Q. And what percentage is unleased?

A. Unleased is 22.894667.

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

A. Yes.

Q. We don't have any unknown parties in the unit, correct?

A. No.

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

A. Yes.

Q. And the addresses set out in Exhibit B are

the last known addresses for those respondents?

A. Yes.

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

A. That's correct.

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

A. Yes, I am.

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

A. Five dollar per acre consideration on a five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, we'd again ask that the statutory election option testimony taken in 1969 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. We do not need...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

pooling order?

A. Chesapeake Appalachia, LLC.

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

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, are you familiar with the plan of exploration for this well?

A. I am.

Q. What's the proposed depth?

A. 6,375 feet.

Q. The estimated reserves?

A. 300 million cubic feet.

Q. Are you familiar with the AFE?

A. Yes.

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

A. Yes.

Q. Could you advise the Board as to what the

dry hole costs and completed well costs are?

A. Dry hole costs are \$313,820 and completed well costs \$575,871.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted with the one minor revision there to the Exhibit B.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: I move for approval as revised.

BRUCE PRATHER: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a
petition from Chesapeake Appalachia, LLC for a well location
exception for proposed well 826111. This is docket number
VGOB-07-0821-1999. We'd ask the parties that wish to
address the Board in this matter to come forward at this
time.

JIM KAISER: Mr. Chairman, in this case, it will
be Jim Kaiser and Stan Shaw on behalf of Chesapeake.

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

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, your responsibilities include the

land involved in this unit and in the surrounding area, correct?

A. Yes.

Q. And you're familiar with the application that we filed seeking a location exception for well 826111?

A. Yes.

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 this unit?

A. Chesapeake Appalachia owns a 100%.

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

A. Yes.

Q. Are there any correlative rights issues?

A. No.

Q. Now, in conjunction with the exhibit that you prepared and was just passed out to the Board, explain why we're seeking this location exception.

A. The diagram is...it's on a topo background. It's scaled an inch to a thousand feet. But the well in...that's needs a spacing exception is the highlighted

yellow from well 825615 at a distance of 2276 feet.

BENNY WAMPLER: On that plat that's in the application, it's 25615 is not on there. Just for clarification, that is 825615?

A. It is, yes.

BENNY WAMPLER: Go ahead.

A. The wells shown on there are mostly CBM wells. We have a partial interest in those and that's why they're there, some of the well numbers. To get a distance of 2500 feet from 825615 we've put the site down across that road. There's a little dot that's a house. That's near the 1800 foot contoured angle. To get another piece of spot, it would put us out beyond 3,000 feet and we feel that would be wasteful in reserves. Moving further north at about the next house, there's another spot that's 2500 feet. Again, it's the same issue. We don't want to drill close to a house. So, it's safety, prevention of waste and terrain. The site picked is on an existing strip bench. It shows a road to CBM wells. There's minimum disturbance in that location.

Q. To summarize, to maintain spacing at 2500 feet it would require the well location to be constructed at the mouth of the drain where several homes are located. The location was moved northwest to the opposite side of the

main hollow and would provide a safe distance from the residence. The location was then moved up a steep slope to first fineable bench suitable for well site construction.

A. That's correct.

Q. The location has also been approved by the coal owner.

BENNY WAMPLER: Questions from members of the Board?

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Is this location on that bench to the north or is it just on the slope? In my thing, I've got it that it doesn't really show where the location is at. I've got the number. Where is the well at?

STAN SHAW: It's that's hollow circle. It doesn't have the gas well symbol yet. It hasn't been drilled.

BRUCE PRATHER: Is it about the...below the 8?

BILL HARRIS: Yeah.

STAN SHAW: It's right on the (inaudible) branch.

(Benny Wampler shows Bruce Prather where it is.)

BRUCE PRATHER: Oh, that point. Okay, okay. I gotcha. Okay, thank you.

Q. Mr. Shaw, in the event this location exception were not granted, would you project the estimated

loss of reserves?

A. 300 million cubic feet.

Q. And what's the total depth that this well be drilled to?

A. 6,195 feet.

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

A. Yes.

Q. In your opinion, would the granting of this application be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for 826111?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Let's take
five while we get the other witnesses up here.

(Break.)

BENNY WAMPLER: Okay, we'll go ahead and get back
to order. The next is a petition from Daugherty Petroleum,
Inc. for creation and pooling of conventional gas unit M.
Hensley #1, docket number VGOB-07-0821-2000. We'd ask the
parties that wish to address the Board in this matter to
come forward at this time.

JIM KAISER: Mr. Chairman, for this hearing it
will be Jim Kaiser, Kelly Smith and Brent Camp on behalf of
Daugherty Petroleum.

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

JIM KAISER: As we get started, you'll notice that I have provided you with revised Exhibit B and B-3 for this pooling. The revision really only reflect a little better mathematics. We rounded some of the figures off to come up with the 100% in the 112.69 acres. Exhibit B-3 the two unleased parties are still same as the original application. It's just sort a redoing of the map is the revision for that revision. Before we get into Ms. Smith's testimony, I'll give you a little background on this well. It was originally drilled in 1982 or 1983 by Penn Virginia, I think originally, as an oil well. Now, years later, now here twenty-five years later or twenty-seven years later, Daugherty Petroleum has acquired it through various assignments and mergers and I think probably actually acquisition to maybe Evan Energy is the way you ended up with it. They wished to convert it to a gas well in I guess the Stone River and Knox formations. In doing that and making it a statewide spacing gas well, the unit was increased to become a 112.69 acre unit and in doing that there was two tracts in configuring the unit that we were not able to obtain voluntary leases from. So, that's why we're here for pooling.

BENNY WAMPLER: Do you want to get your witnesses sworn in?

JIM KAISER: Yes.

(Kelly Smith and Brent Camp were duly sworn.)

JIM KAISER: We'll start with Ms. Smith.

KELLY SMITH

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Kelly Smith at Daugherty Petroleum. I'm a paralegal.

Q. And your responsibilities...go over a little bit about what you do at Daugherty since you've not previously testified before the Board.

A. Title abstractor. I go leasing and kind of review titles too.

Q. And your responsibilities have included being involved in the establishment of this unit and the attempts to lease all the parties within this unit?

A. Yes.

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

A. Yes.

Q. Okay. What percentage is under lease to Daugherty in this unit at this point in time?

A. 96.32%.

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

A. Yes.

Q. So, at this time, the percentage of the gas estate within the unit that remains unleased is 3.58%?

A. Yes.

Q. Okay. We don't have any unknown interest owners within the unit? We've identified them all, correct?

A. Correct.

Q. So, in your opinion, due diligence has been exercised to locate all the parties?

A. Yes.

Q. Okay. And you're requesting the Board to force pool all interest...unleased interest as listed at revised Exhibit B-3?

A. Yes.

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

A. Yes.

Q. Could you advise the Board as to what those

are?

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

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

A. Yes.

JIM KAISER: Mr. Chairman, if the Daugherty witnesses agree to it, we'd like to incorporate the statutory election option testimony afforded...that would be afforded or will be afforded to unleased parties that was originally taken in hearing 1969.

BENNY WAMPLER: Do you agree to that?

A. Yes.

BENNY WAMPLER: That will be incorporated.

Q. We don't have any...it's a conventional well. We don't have any unknown interest owners. So, the Board does not need to establish an escrow account, is that correct?

A. Yes.

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

A. Daugherty Petroleum.

JIM KAISER: That's all I have of this witness,
Mr. Chairman.

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

BRENT CAMP

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

DIRECT EXAMINATION

QUESTIONS BY MR. CAMP:

Q. Mr. Camp, could you state your name, who
you're employed by and what job responsibilities are?

A. My name is Brent Camp. I'm Vice President
of Geology. I'm responsibilities for selecting drilling
locations and managing the drilling programs.

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

A. 3800 feet.

Q. And the estimated reserves for the unit?

A. 150 million cubic feet.

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

A. Yes, it has.

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

A. Yes, it does.

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

A. The dry hole costs are \$122,600 and the completed well costs are \$229,606.

Q. Those are considerably lower costs than what the Board has seen earlier today. My guess is that's because, number one, it's a shallower well. It's only 3800 feet. Number two, you're using an existing location. Would that be accurate?

A. The existing well bore was drilled to a depth of 2150 feet. Four and a half inch casing was run in the well to 2100 feet. We're slim holing it down approximately 1700 feet inside the four and a half. So, we already had half a well there.

Q. Do your costs anticipate a multiple completion?

A. Yes, they do.

Q. And does your AFE include a reasonable charge for supervision?

A. Yes, it does.

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

A. Yes, it would.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman. Questions from members of the Board?

BILL HARRIS: Mr. Chairman, let me just ask a question about...you used the term "slim holing it down". So, you're going to use a smaller pipe---?

BRENT CAMP: Yeah, we're going to be using probably about a three and a half inch bit. Whereas, typical, for production casing you're drilling with a six and a quarter hole and setting for and a half. That's already there. So, we're going to down inside of that with what we call slim holing.

BILL HARRIS: Okay. And the casing that's there is...I mean, this was drilled several years ago. But the casing that's there is still intact. I guess, I can't think of the correct words.

BRENT CAMP: Yes. And cemented in, yes.

BILL HARRIS: Okay. So, it's okay to...now, is this normally done, this is just for my information, that

you can convert a, I guess, an oil well...I guess I should be directing that to you, that you convert an oil well that did produce at sometime?

BRENT CAMP: Yes, this...this is in the Rose Hill Field. Originally, the Rose Hill Field was basically a shallow oil field in the Trenton 2,000 feet deep. Later on, Arco came in and we drilled deeper chest in there going down into the Knox and found gas in the Knox and the Stones River at approximately 4,000 feet deep. We're actually offsetting one of those wells with this well as being an existing well bore. We'll get into that here in a little bit. It's a little bit closer than normal. Since you've already got an existing well bore, it's a lot cheaper to go in there and do that one and go on down.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

PEGGY BARBAR: Second.

BENNY WAMPLER: And second. Any further

discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Daugherty Petroleum, Inc. for a well location exception for proposed well M. Hensley #1, docket number VGOB-07-0821-2001. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, in this case, it will be Jim Kaiser and Brent Camp on behalf of Daugherty Petroleum.

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

BRENT CAMP

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Camp, again, your responsibilities include the land involved here?

A. Yes, they do.

Q. And you're familiar with the application that we filed seeking a location exception for the deepened M. Hensley #1?

A. Yes, I am.

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

A. Yes, they have.

Q. Could you indicate for the Board the ownership of the oil and gas underlying the unit for the M. Hensley #1?

A. Daugherty Petroleum owns a 100%.

Q. With the pooling order, we'll have a 100%.

A. With the pooling order.

Q. All right. And they have the right to operate the reciprocal well, which is, I believe, well 8708?

A. Yes.

Q. Okay. So, there's no correlative rights issues?

A. No.

Q. We don't...this is one of the unique situations here. We don't really have an exhibit to present to you because...well, I'll let you kind of go ahead and

explain it.

A. The plat would be the exhibit. This well is closer than 2500 feet. When this particular well and the reciprocal well were drilled, units were set up on a different basis than they are now in the State of Virginia. This well is...I don't have the distance in front of me here, but---

Q. It's about 2...it's about 2,000 feet...1996.

A. Yeah, approximately 2,000 feet from an existing well. It is producing from the Stones River and Knox. Obviously, with an existing well bore down there that's already through thrust vault and already has pipes cemented in place, it just makes a lot more economic sense to take this well on down and deepen it into the Stones River and the Knox formations.

Q. It will be more efficient, both economical and reserve wise and, also, would it be your testimony that for those owners that are in the overlapped area...for those royalty owners who are in the overlapped area, in other words, that have interest in the newly created unit for the Morgan Hensley and the old unit for 8708 that overlapped area, those royalty owners would be paid from both wells, is that correct?

A. Exactly. Yes, that's correct.

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

A. Right now we project this well to have a 150 million in reserves. So, it may not economic to drill a well in this area if we weren't able to drill this one deeper. So, it would be a 150 million.

Q. Okay. Again, the total depth, I think we testified in the force pooling it would be 3800 feet.

A. Yes.

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

A. Yes.

Q. And it would be your opinion that this...the granting of this location exception would be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for Morgan Hensley #1?

A. Yes.

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

BENNY WAMPLER: Are you going to explain Exhibit B, revised Exhibit B?

JIM KAISER: I'm not sure why we did that.

BENNY WAMPLER: They changed it. The original had Lee Holding Company and Gary Lee on there.

JIM KAISER: Oh, okay.

BENNY WAMPLER: All of a sudden they're not on there.

JIM KAISER: Okay. Yeah, I don't know why we had them on there. They're not...also not on the force pooling exhibit. So, can you explain that, Kelly?

(Kelly Smith and Jim Kaiser confers.)

JIM KAISER: I guess, when originally filed both the pooling and the location exception we did list a Gary Lee and a Lee Holding Company as owning an interest in Tract 3 and then subsequent title must have revealed that that was incorrect. It should as it's set out in the revised exhibits.

SHARON PIGEON: Can she testify to that or are we going to take your testimony on that?

JIM KAISER: Would you have testified...would it be your testimony that when we originally filed the exhibits for both of these applications that we had as part of the Morgan Hensley interest in Tract 3, we had Gary Lee and the

Lee Holding Company listed and then subsequent updated title revealed that that was incorrect and we revised that to reflect the actually ownership being a Lorene Trent and an Irene Lee?

KELLY SMITH: Yes.

JIM KAISER: Thank you.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

(No audible response.)

JIM KAISER: We'd ask that the application be approved with the revised Exhibit B to reflect the proper parties who were noticed.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion to approve as revised.

BENNY WAMPLER: Is there a second?

KATIE DYE: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM KAISER: Thank you.

BILL HARRIS: Can I ask a question? Just out of curiosity, the Hensley that's mentioned is that any reference...I know there's a Hensley settlement over...you know, you go up the mountain and it's across into, I guess, Kentucky or so. But do you know if the Hensley are related at all?

BRENT CAMP: I really don't know. There's quite a few Hensley's in this Rose Hill area. So---.

BILL HARRIS: Yeah.

JIM KAISER: It probably is.

BRENT CAMP: ---I would think at some point in time it would all go back together.

BILL HARRIS: Yeah. I know people go hiking. I haven't done that hike. I was just curious as to---.

BRENT CAMP: Yeah. We've got a Steve Hensley well in the same area. So, there's several Hensley's in that area.

BILL HARRIS: Yeah, in that area.

BRENT CAMP: Thank you all.

BENNY WAMPLER: Thank you. Next is a petition from Pine Mountain Oil and Gas for a well location exception

for proposed well V-537913. This is docket number VGOB-07-0821-2002. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: It's Tim Scott, Jerry Grantham and Phil Horn for Pine Mountain Oil and Gas.

BENNY WAMPLER: The record will show no others. You may proceed. We need to swear your witnesses.

TIM SCOTT: Yes, please.

(Jerry Grantham and Phil Horn are duly sworn.)

TIM SCOTT: Mr. Chairman, the first item that we have is well number...let's see, 821-2002 item number or the number. We're...the...I'm going to ask the Board about this. I think I've done this before and have been told no, but I'm going to ask anyway. We have found additional parties that need to be notified, but we didn't find that until late in the day. Is it possible to continue it for sixty days or do we need to do it in the thirty days and if we don't have everybody noticed do it for an additional thirty days?

BENNY WAMPLER: Yeah, I don't have a problem with that, sixty days.

TIM SCOTT: Okay, good.

BENNY WAMPLER: That will be continued.

TIM SCOTT: Thank you, sir.

BOB WILSON: Which one was that, sir?

BENNY WAMPLER: Number twenty-nine, that's docket number 2002, the last four.

BOB WILSON: And that's continued until?

BENNY WAMPLER: Until November...October.

BOB WILSON: November...October.

BENNY WAMPLER: Next is a petition from Pine Mountain Oil and Gas for a well location exception for proposed well V-530021 and this is docket number VGOB-07-0821-2003. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Pine Mountain Oil and Gas.

BENNY WAMPLER: The record will show no others.

TIM SCOTT: Mr. Grantham is...I'm sorry.

BENNY WAMPLER: You may proceed.

TIM SCOTT: Mr. Grantham is passing out some exhibits that will be used with regard to his testimony. But we're going to start with Mr. Horn.

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Would you state your full name, please?

A. My name is Phil Horn.

Q. And by whom are you employed?

A. Pine Mountain Oil and Gas, Inc.

Q. And your job description?

A. I'm District Landman.

Q. Are you---

A. I...oh, excuse me. I'm in charge of all land related activities including getting wells permitted and drilled.

Q. Are you familiar with the application now pending before the Board?

A. Yes, I am.

Q. And are you also familiar with the ownership of the oil and gas, the acreage encompassed by this unit?

A. Yes, I am.

Q. Who owns the oil and gas underlying this unit?

A. Pine Mountain Oil and Gas, Inc.

Q. Who operates the reciprocal wells that are depicted on Exhibit A?

A. Equitable Production Company.

Q. Does Pine Mountain also participate in the operation of those wells?

A. Yes, we do.

Q. How was notice provided to those parties listed on Exhibit B?

A. By certified mail.

Q. And have those proofs of mailing been provided to the Board?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JERRY GRANTHAM

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, would you state your full

name?

A. Jerry Grantham.

Q. And by whom are you employed?

A. Pine Mountain Oil and Gas, Inc.

MR. SCOTT: Just to get a little background on Mr. Grantham, he's going to provide the Board with information concerning his work history and educational background.

Q. So, you may proceed.

A. I have a Bachelor's Degree in Environmental Sciences from the University of Virginia. I have a Master's Degree in Geological Sciences from Michigan State University. My work experience from 1981 to 1983, I actually worked as geologist for the Division of Mineral Resources here in Virginia mapping (inaudible) quadrangles in Buchanan County. From 1983 to '85, I worked as a consulting geologist doing mapping on the Devonian Carbonate in Michigan. From 1985 to 1998, I worked for Petro Stone Energy, which was an exploration company in Trevor City, Michigan in various capacities including geologist, business development manager and exploration manager. I worked the following states: Michigan, Oklahoma, Illinois, Texas, Wyoming and various other states. From 1999-2000, I worked as a consulting geologist here in the Appalachian Basin working in Virginia and West Virginia primarily. Then in

2001, I was employed by Pine Mountain Oil and Gas as exploration manager. I held that position until 2004. In 2005, I was promoted to Vice President, which is my current position.

Q. Mr. Grantham, did you participate in the preparation of this application?

A. Yes, I did.

Q. And if you would, please, explain to the Board by using Exhibit A, which is attached to the application, why Pine Mountain is seeking a location exception for this particular well.

A. Exhibit A is the original plat that we submitted with the application and what we are seeking here is to drill well 530021 at a location exception to basically prevent the loss of stranded reserves that we think are in that location.

Q. As to that statement, you have prepared an Exhibit C which depicts that, is that correct?

A. Yes.

Q. And would you please explain that to the Board?

A. Sure. Exhibit C is a similar map except what we've done is we've put all the wells on this map and we've put 1250 foot radius on that, which, of course, is the

112 acre unit that is currently in effect. To show you how these wells, I guess, interact with each, the green area on this exhibit is the area that or the acreage that is effectively stranded. In other words, it is not included in any current existing conventional unit and that is approximately 23 acres on this particular map. What we would like to demonstrate is that there are significantly more lost reserves than just the amount underlying this 23 acre...23 acre in green that by the work that we've done, we've determined that the existing conventional wells, which surround this well, are really not effectively draining their 112 acre unit.

Q. And how does...how does that work, Mr. Grantham? Do you have an exhibit that explains that?

A. Yes. If you go to Exhibit D, which is...I realize there's a lot on here, but I'll sort of work down the page. The Nora area was classified by the Federal Energy Regulatory Commission back in the last '80s or early 1990s as classified for tight gas sands. This was done by the Federal Government for reservoirs really all over the country that qualified for this particular classification. What the benefit was to producer and royalty owners was that these wells actually ended up getting a tax credit from the government. The reason for that was because these wells

typically produced at very low rates or lower rates compared to most other wells in the country. So, what the government was trying to do at that point was spur on activity and they provided this classification to these...these tighter reservoirs at that point. One of the...the key things that they looked at when they did these classification was what the porosity and permeabilities were in these reservoirs. What I've done is just a little schematic here to...you're probably aware of what these terms are, but to show what these porosity and permeability mean. But the circles that have lined up there are meant to represent sand grains. So, of course, this is magnified quite a bit from what it is in reality. We wish it were that big, but it's not. The large space in between the sand grains is the porosity. The porosity is where the gas is store in the reservoir. it's represented in a percentage of the total rock. So, when we talk about porosity we say 10%. That means that 10% of that rock is open...open space. The permeability is actually a measurement of flow. It's measured in darcies, which is a definition of flow. It is basically determined by how narrow the nexar in between the porosity, in other words, the gas has to move through that tight space to get out of the rock. So, permeability is a flow definition. Porosity is actually a volume definition. We have a Nora

conventional core data that we've gotten over the years that tells us that these porosities average about 5 to 10%. These is confirmed by the logs that we run pretty much in every well. We also know that the permeabilities are from .01 to .04. This is just a range. I mean, there might be a few exceptions outside of this, but this is sort of the average. That's measured in millidarcies.

BENNY WAMPLER: Let me stop you. You said .04 and you have .4. Do you mean .04?

A. No, you're correct, .4 millidarcies.

BENNY WAMPLER: Okay.

A. Just to give you sort of feel for other reservoirs around the country, if you go into the Gulf Coast, for example, the porosity there might be 30%. So, they could be three to six times what we see. In probably more importantly the permeabilities in the gulf coast might be a darcie. So, that's a thousand times a millidarcie. So, you can see that's sort of the extreme that we're looking at. That was the basis for the FERC to go in and classify these reservoirs as tight reservoirs. With doing that and what we've seen around the country is that tight reservoirs sort of have some common characteristics. Of course, the basic one is the fact that they have low porosity and permeability. The other thing that we

typically see from these reservoirs is low flow rates, initial rates. And, typically, we also see lower gas recoveries from these reservoirs. Now, what's being done in other states is that to try and increase this recovery of gas so that we get more out of the ground. They've gone to some of the smaller units to do this. You know, I think 40 acres is probably average, you know, but it varies around the country. I'm just sort of trying to demonstrate that that's sort of what's being done with tight gas seams.

TIM SCOTT: Any questions about this exhibit?

BILL HARRIS: Just one. You gave us some information on the Gulf Coast. What about locally, I mean, some of our areas? What about porosity and permeability.

JERRY GRANTHAM: Well, those...the numbers just above that, the Nora conventional core data are the numbers---.

BILL HARRIS: Oh, conventional. I'm sorry.

JERRY GRANTHAM: Those actually are the numbers from our field---.

BILL HARRIS: Thank you.

JERRY GRANTHAM: and those are measured numbers. I mean, we actually physically cut a piece of rock and bring it out of the ground hole and not drill it up and then we can measure those perimeters in that rock.

BILL HARRIS: Okay. So, the tight gas sands actually are less than these? Is that---?

JERRY GRANTHAM: Tight gas sands...these would qualify for tight gas sands. These would---.

BILL HARRIS: Okay.

JERRY GRANTHAM: ---be in the range.

BILL HARRIS: Okay.

BENNY WAMPLER: Other questions?

BILL HARRIS: Thank you.

Q. Now, Mr. Grantham, you've also prepared an Exhibit E, which reflects recovery factors, is that correct?

A. That's correct.

Q. And I would like for you to explain that to the Board if you would, please?

A. Okay. Again, I'll sort of work down the page. What a recovery factor is it's a percentage of the gas that's actually produced out of the well bore compared to what's in...physically in the ground. So, it's...all it is a percentage. So, we use recovery factors everyday. I mean, that's something we deal with. Here's how...here's how we determine them. We determine the recoverable reservoirs by using an analysis, which is just the next, I guess, graph down called decline curve analysis. All it is is gas rate on one axis and time on the other. It's a plot

of that production. What we do is we...we track production over time, which is the solid heavy line and, you know, in some cases it's a straight line like I've depicted here and in other cases it may not be perfectly straight. But then what we do is we forecast what we think the production will be in the future and that's how we determine right now what that well will produce fifteen years from now. We basically look at both what it has already done and what we anticipate it's going to produce. What that does is that gives us a recovery or recoverable reserves for that well. That's what the well will actually produce over its life or what we anticipate it will produce. What we found in the Nora, particularly in the area around our application here, is that recoverable reserve is in the 350 million range. Now, to determine what's in the ground, we have to do a total different calculation. What we do there is what's called a volumetric calculation. Basically, we go in and we look at the unit size, which is 112 acres in this case, we multiple it times a factor to get it to a square feet, which is the 84560 and then we multiple times the porosity, pay thickness and gas saturation. All three of those are perimeters that we get from the logs that we run and virtually every well that we drill and then we multiple that times the pressure factor, which is a factor that's based on the bottom hole

pressure of that reservoir. When we do that, we find that the gas in place for these conventional reservoirs is a 1000 million cubic feet or a bcf of gas. So, you can see that it's considerably more than what we're getting out of the ground. When we get divide...when we do the math for our recovery factor then we divide the 350 million by the 1000 million and we find that we find in reality what we're recovery is 35% of the reservoir. If we look up to the top again, you can see that I have an optimum recovery factor up there of about 70%. Now, that's a number that's just sort of generically used for gas wells around the country. Some may produce 85% and some may produce 60, but that's probably a good average. I think what's important then at the bottom is that what we're seeing is that we're only recovery about 50% of the gas that we should be recovery from this reservoir. We anticipate that optimum recovery should be about 700 million. We're actually recovery 350 million, which means there's another 350 million that in theory we should be able to get.

TIM SCOTT: Any questions?

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Well, I have one. I hate to take up time. Pay thickness, what...I'm just curious about that.

JERRY GRANTHAM: Pay...oh, I'm sorry. Pay thickness is the thickness of the reservoir. We call pay anything that is a rock that has reservoir characteristics and porosity, but also has...has gas in it or oil. So, that's sort of an industry lingo.

BILL HARRIS: Yeah, I wondered what the pay...yeah, I understand. Thank you.

BENNY WAMPLER: Other questions?

BRUCE PRATHER: Mr. Chairman. Do you know what the shut-in pressure on these adjacent wells are? Do you know what their pressures are at this point in time?

JERRY GRANTHAM: The...no, I do not. The current shut-in pressures on those wells---

BRUCE PRATHER: That would give you a lot better idea if you knew what the pressure...the bottom hole pressure on these wells are...if you get a better idea as to how much gas you all have in place.

JERRY GRANTHAM: We don't have that data. We haven't shut those wells in. I mean, I haven't looked at them recently, but my guess is they have not been shut-in for years. Actually, it would not surprise me if we drilled this well in this location and found that we actually had originally...the original virgin bottom hole pressure, which would be the original field pressure that it would not show

much depletion.

BRUCE PRATHER: If these wells...these three wells around it, say we're down to 500 pounds, then all you're going to get is 500 pounds.

JERRY GRANTHAM: Not necessarily.

BRUCE PRATHER: You know, we're talking about a cluster of wells. We're not talking about a well that's, you know, open-ended---

JERRY GRANTHAM: But that sort of goes...excuse me. I think that goes back to the nature of the tight gas seams and the fact that because the permeability and porosity are so low, we are probably seeing very limited drainage from these reservoirs and very limited drainage areas. Actually, the next exhibit may be...it might help with that. Exhibit F is the same as Exhibit...I guess, was it C?

TIM SCOTT: C, yes, sir.

JERRY GRANTHAM: Except what we now done is we've gone in and instead of putting a 1250 foot radius, which would be the 112 acre circle around each well, we've said, okay, we're effectively draining 50% of that. That would then make this a 56 acre circle, half of a 112, and you would have a radius of 881 feet. What I'm trying to demonstrate here is that if what we're seeing from our

decline curve or recoverable...what we're seeing on a recovery factors is in fact correct, which I believe it is, then the radius that these wells are effectively draining is probably much smaller. Therefore, we would probably have significantly less or no interference between the three surrounding wells and the well in the middle...the proposed well.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Well, Mr. Chairman, let me ask a question. Now, when you...the difference between Exhibit F and Exhibit C, when Exhibit F...when those three wells were drilled, now are those Pine Mountain wells? I mean, are those---?

JERRY GRANTHAM: The three surrounding wells are Equitable wells. We are partners---.

BILL HARRIS: Okay.

JERRY GRANTHAM: ---with Equitable---.

BILL HARRIS: Oh, okay.

JERRY GRANTHAM: ---on those wells and they are partners with us on this well.

BILL HARRIS: Okay.

JERRY GRANTHAM: So, the---.

BILL HARRIS: Now, even...I notice that they have

the 1250 foot radius and, of course, what you're suggesting is that effectively it's not that great because we're not getting but a 100%...I'm sorry, but 50%. So, those wells actually adhere to the same rules that you gave us about the recovery, the tight gas sands and that reduced recovery. In other words, what you're telling us is that in general the wells in that area you feel, based on your research and whatnot, are going to produce about 50% of what...what is in place?

JERRY GRANTHAM: Is in place within their 112 acre unit, yes.

BILL HARRIS: So, that effectively is saying that if we shrink that size that's probably the draw area. So, this actually has...well, I'm not sure how to explain it. But this looks larger, I guess, because it...it would appear that way because it's getting some drainage that those aren't getting, some gas---

JERRY GRANTHAM: You're...that's exactly right. What this exhibit demonstrates, Exhibit F, is that now the green area is what we would consider stranded gas, in other words, gas that, in our opinion, would currently not be produced from the surrounding wells. Instead of that being what we saw earlier, which was 23 acres, now it's significantly more than that. It's about 50 acres and it

would represent almost 85% of that circle, a much larger portion, so that, you know, effectively what we think we're going to do is produce reserves that are unproduceable... currently unproduceable. But, now, we are not proposing that we're changing...to change the unit---

BILL HARRIS: Yeah, this is done for...to illustrate why you feel that you would get the kind of drain...I didn't mean to take words out of your mouth. I'm sorry.

JERRY GRANTHAM: That is correct, yes.

BILL HARRIS: Okay, okay.

BENNY WAMPLER: You're still going to pay on the 1250 radius---

JERRY GRANTHAM: Yes.

BENNY WAMPLER: ---in the overlapped areas and everything---

JERRY GRANTHAM: Absolutely.

BENNY WAMPLER: ---according to your application? go ahead.

TIM SCOTT: Yes, sir.

BRUCE PRATHER: Mr. Chairman.

BENNY WAMPLER: Mr. Prather.

BRUCE PRATHER: Jerry, since you told me that Equitable is in this with you, the thing I was concerned

about was interference on this new well, but if they're in there with you, then, you know, they're going to put up their money to do this same thing. So, a situation like that, it just appears to me that it could be done. I mean, you're the ones taking the risk.

JERRY GRANTHAM: Exactly.

BRUCE PRATHER: Yeah. I wasn't aware that Equitable was in there with you. Okay.

TIM SCOTT: Mr. Grantham...any other questions? I'm sorry.

BILL HARRIS: No, I'm finished.

JERRY GRANTHAM

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SCOTT:

Q. If this location exception application were not granted, what would the loss that you would...you would receive?

A. I think the loss would be the stranded reserves that we had in Exhibit, I guess, that's E, which would be 350 million cubic feet.

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

A. It's 6400 feet.

Q. Okay. And would tell the Board why you believe that this well location exception should be approved?

A. Well, we believe that this location exception should be approved to basically produce stranded gas that would not be produced by the existing wells around it. We believe that this would promote the conservation of the gas resource and prevent waste. It would maximize the production and utilization of the gas resource and it would protect correlative rights.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TIM SCOTT: No, sir.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval of the proposal.

PEGGY BARBAR: I'll second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. I commend you on your illustrations. I think they're really good.

PEGGY BARBAR: They're good.

BILL HARRIS: Yeah, that's very helpful.

BENNY WAMPLER: Next is a petition from Pine Mountain Oil and Gas for a well location exception for proposed well V-530024, docket number VGOB-07-0821-20004. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Mr. Chairman, we'd ask that that application be withdrawn.

BILL HARRIS: Is that item thirty-one?

BENNY WAMPLER: Thirty-one is withdrawn.

TIM SCOTT: Thirty-one, yes.

BENNY WAMPLER: Any other cleanup?

TIM SCOTT: And also number thirty-four be withdrawn.

BENNY WAMPLER: Thirty-four?

TIM SCOTT: Yes, sir.

BENNY WAMPLER: Next is a petition from Pine Mountain Oil and Gas for well location exception for proposed well V-530017, docket number VGOB-07-0821-2005.

We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Pine Mountain Oil and Gas.

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

TIM SCOTT: Mr. Chairman, we have one issue that has arisen and I want to hit this head-on. When this application was filed, Pine Mountain was working with the coal companies to make sure that the locations were acceptable to them. In this particular case, at the request of the coal company, this location was moved a 150 feet. We do have a letter from the coal company saying that new notice is not required. That it is...the notice requirements have been met. We'd like to provide that to the Board as a part of our notice satisfact...requirement, as well as the Exhibit A...revised Exhibit A to the application.

SHARON PIGEON: That's the second sheet that you handed us today?

TIM SCOTT: Yes, ma'am.

BENNY WAMPLER: Are there any other parties affected by the move?

TIM SCOTT: No, sir. All other parties have been

properly notified.

BENNY WAMPLER: Okay. All right. Proceed.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, again, would you state your name and by whom you are employed?

A. My name is Phil Horn. I'm employed by Pine Mountain Oil and Gas.

Q. And, again, your job description.

A. I'm District Landman. I'm in charge of all land related activities including getting wells permitted and drilled.

Q. Did you participate in the preparation of this application?

A. Yes, I did.

Q. And are you familiar with the ownership of the oil and gas underlying this unit?

A. Yes, I am.

Q. And who owns the oil and gas underlying this unit?

A. Pine Mountain Oil and Gas, Inc. owns all

the oil and gas.

Q. Who operates the reciprocal wells from this well?

A. Equitable Production Company.

Q. And, again, does Pine Mountain also participate in the operation of those wells?

A. Yes, we do.

Q. Was notice of the hearing provided to the parties listed on Exhibit B?

A. Yes.

Q. And how was that done?

A. By certified mail, return receipt requested.

Q. And have you provided proofs of mailing with the Board?

A. Yes, we have.

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

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

TIM SCOTT: The next witness is Jerry Grantham. What I would like to do, in order not to go through the

technical terms that we've done before, if it's okay with the Board, we'd like to incorporate that testimony into...for this hearing, as well as the next hearing, concerning porosity, permeability, other tight gas sands, locations and then would stick specifically with the exhibits that we have for this particular application.

BENNY WAMPLER: That will be incorporated.

TIM SCOTT: Thank you, sir.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Okay. Mr. Grantham, on...would you explain to the...let me ask you first. You did participate in the preparation of this application, is that correct?

A. Yes.

Q. And would you use revised Exhibit A to explain to the Board why Pine Mountain is requesting a location exception?

A. Revised Exhibit A, which is plat of proposed well 530017 shows the relationship of that well to three conventional wells that have already been drilled in this area. Again, as this...on this particular one, we also believe that there are reserves that are currently stranded

in the location that we're proposing the well.

Q. Is that---?

A. And to prevent loss, we propose that these location exception be approved.

Q. Is that stranded acreage depicted on Exhibit C?

A. Yes, it is.

Q. And would you go over that with the Board, please?

A. Exhibit C is a similar exhibit to the one that you saw in the previous hearing, which shows basically the 112 acre units with a 1250 foot radius. That is the well that we're proposing to drill as a location exception. In green, on this particular map, is the acreage that is actually stranded by the wells that have been drilled in here, which is approximately 41 acres.

Q. Okay. Now, if we were to assume we have a smaller drainage area would that acreage...that stranded acreage be depicted on Exhibit F?

A. That's correct.

Q. Okay. And would you explain that to the Board?

A. On Exhibit F is a exhibit, again, showing that if we reduce the size of the drainage area from the 112

acre circle, 256 acres or roughly 50%, then the area of that circle is 8881 feet...excuse me, the radius of that circle is 881 feet and that the area that is stranded by that well is...excuse me, is stranded and basically not being drained. It is around 80%.

Q. Okay. What would be the estimated loss of reserves if this location exception request were not granted?

A. This would also be 350 million.

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

A. This well is 6300 feet.

Q. And, again, would explain to the Board why this location exception should be approved as submitted?

A. This one should also be approved to protect the correlative rights certainly of the owners of the acreage that are currently not included in any unit to maximize production and utilization of the gas resource and to promote conservation and prevent waste.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BRUCE PRATHER: I have a question.

BENNY WAMPLER: Oh, I'm sorry. I didn't hear you, Mr. Prather. Go ahead.

BRUCE PRATHER: Jerry, on your map here, you've got to dry holes---

JERRY GRANTHAM: That's correct.

BRUCE PRATHER: ---that are adjacent to that. If you weren't going by the circles, it looks to me like your area of drainage away from...away from those dry holes that you would actually be draining a bigger area than what you've got on this map because of those dry holes.

BENNY WAMPLER: Are you referring to Exhibit F, just for clarification?

BRUCE PRATHER: Yeah.

BILL HARRIS: And one clarification, a dry hole is represented just...like G-106 is a dry hole?

JERRY GRANTHAM: Correct.

BRUCE PRATHER: Yeah. And so is that 750097.

BILL HARRIS: The 7...097. Okay, how do you know that they're dry holes? I mean---

BRUCE PRATHER: Because of symbols.

BILL HARRIS: Okay. Oh!

JERRY GRANTHAM: The symbol for a dry hole is a circle with four sides...four lines coming out of that. A gas well would have eight.

BILL HARRIS: Okay. Well, that's---.

JERRY GRANTHAM: It's sort of like a star. So, that is the difference.

BILL HARRIS: Okay. Well, that's...okay, good. Well, I...thank you. I'm sorry to interrupt your question.

BRUCE PRATHER: So, there is an area in here that really has never been drained on this one? I can see---

JERRY GRANTHAM: There is a large area that has never been drained.

BRUCE PRATHER: Yeah. Yeah.

JERRY GRANTHAM: Those dry holes are early wells that were drilled in the '50s and had probably little production prior to modern completion techniques and were plugged as non-economical.

BRUCE PRATHER: I assume that Equitable is in concurrence with this? In other words, they've signed onto this?

JERRY GRANTHAM: Yes.

BRUCE PRATHER: Okay. And nobody else, outsiders, are anywhere involved with this? This is just an inside deal with you and Equitable?

JERRY GRANTHAM: That is correct.

BRUCE PRATHER: Okay, okay.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TIM SCOTT: That's all I have.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: And second. Any further
discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a
petition from Pine Mountain Oil and Gas for a well location
exception for proposed well V-530025 and that's docket
number VGOB-07-0821-2006. We'd ask the parties that wish to
address the Board in this matter to come forward.

TIM SCOTT: Tim Scott, Jerry Grantham and Phil
Horn for Pine Mountain Oil and Gas.

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

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, one more time, would you please state your name and your occupation?

A. My name is Phil Horn. I'm District Landman for Pine Mountain Oil and Gas, Inc.

Q. And, again, what do you do at Pine Mountain?

A. I'm in charge of the land department. I do work on all land related activities including getting wells permitted and drilled, title clear, etcetera.

Q. Did you participate in the preparation of this application?

A. Yes, I did.

Q. And are you familiar with the ownership of the oil and gas underlying this unit?

A. Yes, I am.

Q. And who owns the oil and gas?

A. Pine Mountain Oil and Gas owns the entire unit.

Q. Who operates the reciprocal wells depicted on Exhibit A?

A. Equitable Production Company.

Q. And does Pine Mountain also participate in those wells?

A. Yes, we do.

Q. How as notice provided to the parties listed on Exhibit B?

A. By certified mail, return receipt requested.

Q. And have proofs of mailing been provided to the Board?

A. Yes, they have.

TIM SCOTT: Those are the questions I have for Mr. Horn.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, did you also participate in

the preparation of this application?

A. Yes, I did.

Q. And by using Exhibit A, would you please explain to the Board why we're seeking a location exception?

A. Again, Exhibit A is the original...the plat of the well showing its location in relationship to the four surrounding wells. Going onto Exhibit C, I think it's maybe represented better here again. Again, what we've done is we've gone in and put 1250 foot radiuses on all of the wells and in red is 1250 radius on the proposed well that we would like to drill, which is pretty much right in the center of the four existing wells. The green area, again, represents acreage that is stranded. I mean, it is in between four units and effectively is not included in any of them. Our proposed well would include that acreage in each unit.

Q. Is that reflected on Exhibit E to additional acreage if the units were made smaller, is that correct?

A. The...Exhibit E...excuse me, Exhibit F.

Q. F, I'm sorry.

A. Exhibit F actually reflects what we think the drainage area...effective drainage area is for the existing wells and for the well that we're proposing, which is the 530025. Again, it doesn't reflect that there's more

acreage in the unit because the units actually will stay the same.

Q. Right, right.

A. But it does reflect that the majority, in our opinion, based upon our analysis, that the majority of the unit underlying 530025 is not effectively being drained and, in effect, would be stranding gas in those reservoirs.

Q. What do you estimate that acreage to be?

A. That acreage is approximately 70% in that unit.

Q. Okay, very good.

BENNY WAMPLER: What's your TD on this well?

JERRY GRANTHAM: This well it's 5600 feet.

BENNY WAMPLER: I'm sorry. Go ahead.

TIM SCOTT: That's all right.

Q. And what would be your estimated loss of reserves if this location exception were not granted?

A. It will be 350 million.

Q. And would you please explain to the Board why this location exception should be granted?

A. We believe that this location exception should be granted to basically be able to produce stranded gas or gas that would not be produced by the original offsetting wells. We believe that this would promote

conservation of the gas resource and certainly prevent waste so that more of the resources produced and not left in the ground and also to protect correlative rights in of the owners in that unit.

BENNY WAMPLER: Are these adjacent wells the approximate same depth?

JERRY GRANTHAM: Yes.

BENNY WAMPLER: Well, this one should tell you more than the others whether or not your theory is correct.

BILL HARRIS: Yeah.

JERRY GRANTHAM: I want to say...let me back up, I don't know that all of these go that deep because that would be through the Devonian shell. Some of these may only go to the Berea.

BENNY WAMPLER: Yeah, I wondered about that.

BRUCE PRATHER: Yeah, I think this older wells, I think, are all Berea wells, aren't they?

JERRY GRANTHAM: Most of them are. That is correct.

BRUCE PRATHER: Yeah, that's what I was thinking.

BENNY WAMPLER: They probably are and are probably going lower.

BRUCE PRATHER: Yeah.

BENNY WAMPLER: Questions from members of the

Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TIM SCOTT: No, sir.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

TIM SCOTT: Thank you.

JERRY GRANTHAM: Thank you.

BENNY WAMPLER: Board members, just a couple other things. You have the minutes from the last meeting. Ms. Dye and Mr. Harris, Mr. Prather, and Ms. Quillen has left, but you're the ones that were here. Are there any additions or corrections? If not, I'd entertain a motion for approval.

BRUCE PRATHER: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. And then,
finally, public comment. Is there anyone that would like to
make a public comment?

JOHN SHEFFIELD: Yes, Mr. Chairman.

BOB WILSON: Mr. Chairman, while he's coming down,
can I do a couple of items of business, please?

BENNY WAMPLER: Sure.

BOB WILSON: Number one, we, the Board, actually
approved a disbursement application under docket number
90-0419-0004 for unit EH-18. Let me see, I'm not even sure
when that was. However, when we started putting together
the disbursement order we found discrepancies between the
original pooling orders and the testimony and the
applications as presented. We have addressed these with the
people who were involved there and I would like to request

that the Board on its own motion put this item back on the docket in September for clarification and reauthorization.

BENNY WAMPLER: Is that acceptable?

(No audible response.)

BENNY WAMPLER: Okay. You've got approval.

BOB WILSON: One other item, everybody's hungry, aren't you? Let's look down the road a little bit to November's hearing. If we put it on the third Tuesday, it will occur on the 20th, which is two days before Thanksgiving. It's going to be difficult to get anybody in town at that particular time. Could we go ahead at this time and move that up to the second Tuesday, which would be November the 13th? It would give us time to get notice out to everybody during the regular course of things.

BENNY WAMPLER: Is that acceptable, Board members?

PEGGY BARBAR: Yes.

BENNY WAMPLER: Okay. And just notify the Board members that are not here today.

BOB WILSON: Okay, sure. Thank you.

BENNY WAMPLER: State your name for the record.

JOHN SHEFFIELD: John Sheffield.

BENNY WAMPLER: Thank you.

JOHN SHEFFIELD: I'm a landowner in Buchanan County. Mr. Chairman and Attorney General and members of

the Board, I'm kind of here to seek your guidance and hopefully your help. My brother and I have property in Buchanan County that is involved in VP8SU3. We were given an application for VP8SU3. I signed certified mail on February the 26th of '06. I was here for another matter. During that hearing, which was March the 21st of '06 and I did speak of anything at that time because at that time when I received my application on all seven tracts within the gob unit, if you would like a copy I have one for each member, I was treated under Exhibit B-3 as an unlisted...excuse me, listed as an unleased owner on all of the seven tracts.

BENNY WAMPLER: You're welcome to hand that out if you would like.

JOHN SHEFFIELD: Thank you.

BENNY WAMPLER: Just hand over there and we'll pass it around while you talk.

JOHN SHEFFIELD: And it's kind of abbreviated. It has the front application and went straight to the tracts. Since that time I have found that there is now a final order out and that's what I've been waiting for is a final order. What was given to the Board, there was an amendment as of 3/20/06 as to B-3, and the tracts shown there under our name were lessen to three tracts leased...or unleased, excuse me. I'm sorry for that correction. So, essentially, I

wasn't...I didn't have the same thing the Board had the day of the hearing. Now, I have...I did talk with CNX today. I told them why I was here, you know, and told them if they want to come and talk...we did talk outside and they understand the situation. They said that they would be more than willing to work with me. However, we...however we can. I still think this needs to be addressed. At this time to the Board, that there seems to be a problem. I don't have anything in writing from them. I just think it still needs to be made a part of the record. I do have a copy of the final order which shows the difference in the leased and the unleased situation. To...just real quick, to CNX's benefit or whatever, I was very curious when they sent me an unleased situation. I went back and looked at my lease in February and noticed that in my lease there was a provision that they could pool my property, it was 600 acres, plus 10%, which would be 660 acres. I know a lease matter is not the issue of the Board. I understand that. I thought possibly that's why they did it, why it was. But once again, I didn't know any different until the final order and you wait until the final order to see if it maintains. I am involved in one other gob unit with the company that's VP8SU1 that is and it borders VP8SU3. I'm sorry, I don't have anymore copies of the map on the right side there or, I

guess, that would be to the east. It's within realm...it's within the 630...it's an 634 acre gob unit. So, I guess, you know, I don't know if I was really afforded my opportunity with this as far as the application. One other point in that though is on Tract Number 41, they showed it with others unleased in my original application and then they showed it as leased. Well, in talking with Les Arrington today, he stated that, you know, I know where that property is and, yes, I see what you're saying and we may have a lease issue on these other tracts, but that has never had any production, been involved in production or anything. So, I don't know if we've...I don't know where we go from here.

BENNY WAMPLER: Well---

JOHN SHEFFIELD: Is there anything that...you know, any codes or anything allowable in this situation? There's an application situation or---

BENNY WAMPLER: I guess...a couple of comments just off the top of my head.

JOHN SHEFFIELD: Yes, sir. Yes, sir.

BENNY WAMPLER: My first reaction is this is a public comment period. It's really not appropriate to try to resolve---

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: ---a specific application issue here. Having said that---.

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: ---I'll say though that you've brought forward what you consider to be a discrepancy to the extent that you've proven that discrepancy. Then, Mr. Wilson has the authority to order them to come back before the Board.

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: Now, we haven't looked at this thoroughly enough to see that. I don't know if you even got copies of it.

BOB WILSON: Yes.

BENNY WAMPLER: But I'll yield to you, but that's just my two comments on it.

JOHN SHEFFIELD: Yes, sir. Thank you, sir.

BOB WILSON: Yeah, it's my understanding, if I'm understanding it correctly, that the matter that was ultimately brought before the Board was not the matter that was shown in the notification that was sent to Mr. Sheffield.

JOHN SHEFFIELD: Correct.

BOB WILSON: I think that's where the Board's jurisdiction comes in on this issue---.

BENNY WAMPLER: Right.

BOB WILSON: ---is that people, and I don't know if there were others in similar situations or not, that may have received notice of an application that was presented significantly differently before the Board.

BENNY WAMPLER: You know, we have that issue though occur all the time when they hand in amendments---.

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: ---here at the Board. I don't know if that occurred---.

SHARON PIGEON: What's the date on this order? We only have a first page.

JOHN SHEFFIELD: Yes, ma'am.

SHARON PIGEON: The execution and all of that that.

JOHN SHEFFIELD: Yes, ma'am. I was trying to halfen it and show where it was.

BOB WILSON: Are you talking about the execution on the order? The order was executed June the 19th of 2007.

JOHN SHEFFIELD: I apologize.

BOB WILSON: It was heard March the 21st of 2006.

BENNY WAMPLER: The..you know, you state...I believe you stated...correct me if I'm not correct, that you were here when they were...when that was discussed before

the Board.

JOHN SHEFFIELD: Yes, sir, I was.

BENNY WAMPLER: That, obviously, would have been the time to have brought up the dispute. I'm not saying you're closed from bringing it up now. I'm just simply saying---

JOHN SHEFFIELD: Yes, sir. Yes, sir, I understand.

BENNY WAMPLER: ---that's especially the time to do it. When they...when the parties are noticed that a hearing is to be conducted before this Board---

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: ---if you receive notice, then they have every right to make corrections while they're here. The original notice, they're not barred by having...they're not closed...I'm not...I don't know if I'm using the appropriate terms. But they're not closed from presenting a change to that. They do it all the time when they come here. If they've discovered different people they may change percentages, etcetera because that's supposed to be...due diligence is supposed to be going on all the time--
-.

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: ---which could impact everybody's

percentage if they miss something to start with.

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: So, we can't close them from...we can't hold them to the standard that, okay, if you noticed this, then by cracky you can never be here. You have to always be here. Do you understand that?

JOHN SHEFFIELD: Uh-huh. Yes, sir.

BENNY WAMPLER: So, I don't know how it occurred. But anytime that you're here in the future, I'll say this, be sure and step forward and call out a discrepancy if you see one.

JOHN SHEFFIELD: Okay.

BENNY WAMPLER: Okay?

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: Because that's what we're...that's what we want to hear.

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: We want to make sure that we've got everybody included and we have the accurate information.

SHARON PIGEON: You did come forward that day, didn't you, at the hearing?

JOHN SHEFFIELD: Well, I...I---.

BENNY WAMPLER: I believe he agreed with---.

JOHN SHEFFIELD: That was for another...it was on

another issue as far as a miscellaneous petition.

SHARON PIGEON: It was on this docket...it was on this docket?

JOHN SHEFFIELD: The docket of the VP8SU3? My...I first came up, ma'am, by virtue of a miscellaneous petition and my attorney was not available here. Yes, I was here, but I don't believe I was permitted since there was a letter from my attorney, I was not permitted---

SHARON PIGEON: You were not permitted to cross examine people and act as an attorney, but you were certainly permitted to come forward.

JOHN SHEFFIELD: I...I did not realize that. May I state one more thing? I still didn't know or didn't hear or didn't know about my being unleased...I mean, leased versus unleased. I didn't hear that issue in there and I tried to follow it fairly closely.

BENNY WAMPLER: Yeah, I don't know how to say as...I'm not going to commit the Board to take any action. We will look---

JOHN SHEFFIELD: I understand.

BENNY WAMPLER: ---at the transcript and see what---

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: ---occurred---

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: ---at that hearing.

JOHN SHEFFIELD: Well, I appreciate that, sir.

BENNY WAMPLER: Yeah. As I said, they are permitted to make a change---.

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: ---here at the hearing once you've been notified. You, obviously, were noticed, you were here.

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: So, you know, I'm not trying to be critical. I'm just---.

JOHN SHEFFIELD: No, I understand. No. There's two sides. I understand, sir.

BENNY WAMPLER: ---pointing out to you how...you know, what we...the rights that we have to operate within.

JOHN SHEFFIELD: Yes, sir.

BENNY WAMPLER: If we find that we have a discrepancy that we believe wasn't properly noticed and everything, then Mr. Wilson can certainly order him to come back before the Board and make that correction.

BOB WILSON: I think probably I'm going to need to consult with my friend, Ms. Pigeon, there. Why are you looking the other way?

SHARON PIGEON: I was in prayer.

BOB WILSON: Because we may have...we may have issues here with the notice, as I'm understanding this. If someone receives notice and they agree with what's shown in that notice, but then an amendment that comes...and so they don't appear, in a hypothetical situation, because they agreed with what was in the notice, but then it's changed when it comes before the Board to something that they might would have disagreed with, then we have an issue that I'm not sure exactly---

BENNY WAMPLER: It happens all the time.

BOB WILSON: ---where to go with it.

BENNY WAMPLER: It happened probably twenty times today.

SHARON PIGEON: That's right. And that's what happens---

BENNY WAMPLER: I mean, you have to protect rights.

SHARON PIGEON: ---and not just here.

BENNY WAMPLER: If you've been noticed, you'd better have your butt there.

SHARON PIGEON: And if you have an attorney, you'd better show up with your attorney and not just say, "My attorney couldn't be here and..."

JOHN SHEFFIELD: Well, my attorney sent the letter

into the Board at that time. I understand. I didn't have another one available.

SHARON PIGEON: Well, you know, sending letters to the Board doesn't do you any good. You're the client. You need your representative here.

JOHN SHEFFIELD: Yes.

BENNY WAMPLER: But we will look into it.

JOHN SHEFFIELD: I appreciate that. On the same issue with VP8SU3 there is one other thing that I would like to let you know as a landowner. I was involved in the last part of the taking of the coal. My property lies right here in the X-17 and X-16 squares. If you'd like this over there, I can bring it to you.

BENNY WAMPLER: You're saying the term "taking", do you mean mining the coal?

JOHN SHEFFIELD: Mining. I apologize. I apologize.

BENNY WAMPLER: "Taking" has a specific---

JOHN SHEFFIELD: Long walling coal. I'm under lease. Yes, I apologize.

BENNY WAMPLER: All right.

SHARON PIGEON: That's right.

JOHN SHEFFIELD: But we're...and the Board approved VP8SU3 on March the 21st...I apologize.

BENNY WAMPLER: That's okay.

JOHN SHEFFIELD: On March the 21st of '06. So, I was involved with a panel...panel gas, X-16 and X-17 and X-15 and some of the X-14. I called William Gillenwater in June of '06 just to simply ask, "Hey, I'm curious, is everything okay? I was just looking to see if there was an check from the February production." Our agreement is that our production, we have paid two months after the actual month...the end of the month that it's done, like February will be paid in April. When I called him, I just, said, you know, "It has been kind of a long time. I didn't know if you guys had problems with the gob." I was being very open and nice with him. He goes, "Well, I don't know what's going on with that. I thought we had already sent some checks out." I said, "Well, I don't know, Gill, you tell me." So, what came was, do you see sheet that I've presented to the Board? This is U-10. It looks like this is VP8SU3 production from 0602, 0603 and 0604. I received a check reflecting that, you know, what shows on this sheet. But the production seems to have started in February. I was in a hearing last week in Buchanan County with CNX. We have other issues. This sheet was used as an example before the Judge saying, "See, this is where Mr. Sheffield was paid right here on this sealed gob unit 3 and he was paid

February of '06 and here's the breakdown." I...you know, I called...when I got this, I kind of put two and two together and called Mr. Gillenwater back and I said, "Gill, all I wanted was, you know, the panel gas from February that, you know...because I know in March it becomes a gob unit." And he goes, "Well, what would you have us to do with the gas?" I said, "Well, Gill, I don't know. I guess I'd just have you sell it like you had been. I was in a panel and then, you know, you have all of these other wells in this area. I don't know." So, that's where I'm at.

SHARON PIGEON: Is this matter being litigated?

JOHN SHEFFIELD: No, not this one specifically. Not that I'm aware of, ma'am. I'm in litigation in a transportation case that is through January of '06.

BENNY WAMPLER: I guess I'd ask for clarification of what you're asking us to do.

JOHN SHEFFIELD: Well, I just want to make the Board...you know, I just wanted to bring that to the Board. You know, John, doesn't know it and the Board doesn't know it. I just wanted the Board to be aware that, you know---

BOB WILSON: Maybe I can paraphrase to say that basically I think...don't let me misrepresent this, but I think what he's saying is that the gob unit was approved by the Board in March. He has received production from the gob

unit from February, meaning that the gob unit was being produced before it was approved by the Board. Is that correct?

JOHN SHEFFIELD: Yes. I'm sorry, I couldn't be plain stated like that. I apologize.

BOB WILSON: I'm not your attorney though.

JOHN SHEFFIELD: No, I don't---.

(Everyone laughs.)

BILL HARRIS: You'll take a check though, won't you

JOHN SHEFFIELD: No, no.

(Everyone laughs.)

BRUCE PRATHER: It sounds like a legal problem.

BENNY WAMPLER: Well, I mean, you know, to me, stated that way, we could simply write a letter and say at public comment that it was brought to our attention that you've produced starting a month before...at least a month before the Board order. We would like for you to explain that.

BOB WILSON: Yes, sir. For the Board's information, when this was brought to my attention, I ran some production reports on some wells within that unit and each of the wells that I ran either commenced production in February of '06 or drastically increased production...I

mean, many times over in February of '06, which would be consistent with production from gob.

BENNY WAMPLER: Okay. So, we have further of that. I think a letter would be appropriate. Say that the Board would like for you to explain.

BOB WILSON: Okay.

BENNY WAMPLER: It was brought to our attention and we would like for you to explain how you...you know, your production indicates that it's...that the comments is valid.

BOB WILSON: Is this something that we want to have explained before the Board at the next hearing?

BENNY WAMPLER: Yes.

BOB WILSON: Okay.

JOHN SHEFFIELD: Ladies and gentlemen of the Board, that's all I have. I appreciate your time.

BENNY WAMPLER: Thank you.

JOHN SHEFFIELD: Thank you and for your comments.

BILL HARRIS: Thank you.

BENNY WAMPLER: Anything further, Mr. Wilson?

BOB WILSON: No, sir.

BENNY WAMPLER: Anything further from the Board?

(No audible response.)

BENNY WAMPLER: The hearing is closed. Thank you.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape-recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 9th day of September, 2007.

NOTARY PUBLIC

My commission expires: August 31, 2009.