

IN THE COUNTY OF WASHINGTON

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

OCTOBER 16, 2007

APPEARANCES:

BOARD MEMBERS:

MARY QUILLEN - PUBLIC MEMBER
BILL HARRIS - PUBLIC MEMBER
PEGGY BARBAR - PUBLIC MEMBER
KATIE DYE - PUBLIC MEMBER
DONNIE RATLIFF - COAL 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

SHARON PIGEON - ASSISTANT IN THE ATTORNEY GENERAL'S OFFICE

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

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

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

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.

BENNY WAMPLER: Donnie.

DONNIE RATLIFF: I'm Donnie Ratliff with Alpha Natural Resources representing the coal.

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

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

BENNY WAMPLER: I'd ask you to do a quick check of your Blackberries, Cell Phone, Huckleberries or whatever you have that will ring so that we won't have a disruption. The first item on today's agenda is the Board will receive a quarterly report on the Board's escrow account administered by Wachovia Bank, the escrow agent for the Board and Mr. Wilson will present that to the Board.

BOB WILSON: Thank you, Mr. Chairman. Board members, you have a copy of a quarterly statement of account that I just distributed to you. For the record, the quarter had a beginning value in the escrow account of \$17,561,515.04. During the quarter, we received total deposits of \$993,526.78. The account gained interest income net of expenses of \$220,786.30. Again, during the quarter, we disbursed a total of \$338,125.29 to folks who had disbursement orders approved during that quarter. Ending value as of September the 30th, 2007 was \$18,437,702.83. For the quarter, our total interest rate was 1.31%. On an annualized basis that comes out to 5.24%. Attached to this quarterly statement, monthly statements that go back to the first of the prior quarter. If you remember when we met at the end of the last quarter there was a lack of balance with the previous quarter sheet, which I hadn't noticed until it was too late to get it corrected before the Board hearing.

So, this run down actually begins in April of this year and runs through the end of September on a monthly basis. It gives you the monthly values plus year-to-date values for each month. I will just quickly go over the year-to-date. We began the year with a \$15,942,163.33 balance. As I just stated a few minutes ago, we ended with \$18,437,702.83. That's all I have.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Thank you, Mr. Wilson. The next item on the agenda, the Board will on its own motion reconsider prior approval of disbursement of funds to the Przybycki Heirs in conventional unit EH-18. This was continued from September and it's docket number VGOB-90-0419-0004-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: I received a communication from James Talkington who is trying to assist these folks in getting their money out of escrow. He has still been unable to get the necessary powers of attorney from the folks and has asked that the Board continue this until December. I would

make the suggestion to the Board that we continue it to until December and if it's not taken care of at that time consider rescinding the prior approval and letting them actually start over because he's having some problems apparently getting the folks together on this.

BENNY WAMPLER: All right. Any objection to continuing it until December?

(No audible response.)

BENNY WAMPLER: It's continued until December. Next is a petition from CNX Gas Company, LLC for repooling of coalbed methane unit AX-127. This is docket number VGOB-07-0619-1941-01. It's continued from September. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington. I've got some asking that we might---

BENNY WAMPLER: Sure.

MARK SWARTZ: The seventh docket item is a disbursement issue with regard to W-35. But the monthly report showing the disbursement that we've been waiting for, although we think the disbursement has been made, has not caught up with us so we can't do the percentages. I talked to Bob about that and we would like to continue that to December. I think...we think the disbursements---

BENNY WAMPLER: Until December?

MARK SWARTZ: Yes. And we think the disbursement has been made. So, we ought to be good to go in December. With regard to number eight, we've moved the well and it wound up getting moved to another unit. So, we'll withdraw that one. With regard to ten, eleven and twelve, we've got notice issues on those three and we would like to straighten that out and continue those three until December, if we could. Which would then, to summarize, leave the one that you just called, Mr. Chairman, which we would like to go forward with, number nine we would like to go forward with and number thirteen.

BENNY WAMPLER: I'm going to recap these with the docket numbers. We're going to continue until December docket numbers VGOB-09-0324-0627-05, VGOB-07-1016-2042 and VGOB-07-1016-2043 and docket number VGOB-07-1016-2044. Again, those are continued until December. And withdrawn is docket number VGOB-07-1016-2040.

MARK SWARTZ: Correct.

BENNY WAMPLER: Without objection from the Board, those are continued and withdrawn. You may---

BOB WILSON: Mr. Chairman---

PEGGY BARBAR: Mr.---

BOB WILSON: ---these are continued...all

continued until December and not November, is that correct?

BENNY WAMPLER: Except eight and it's withdrawn.

MARK SWARTZ: Do you think you can be done by November, Anita, on the AX-132 collection or would you be more comfortable with December?

ANITA DUTY: Until December.

MARK SWARTZ: December.

PEGGY BARBAR: Mr. Chairman, on the summary sheet---

BENNY WAMPLER: Yes.

PEGGY BARBAR: ---on docket item three it has three, eight and nine. I assume that's three, six and nine.

BENNY WAMPLER: She looking from the summary sheet.

LESLIE K. ARRINGTON: Yeah, the summary sheet right here. That's three, six and nine.

PEGGY BARBAR: Uh-huh. Okay, thank you.

MARK SWARTZ: Okay.

BENNY WAMPLER: Is that correct three, six and nine?

MARK SWARTZ: Yes.

BENNY WAMPLER: All right.

MARK SWARTZ: It's three, nine and thirteen, I'm sorry, on your docket that we're going forward with today.

BENNY WAMPLER: That we're going forward with,
okay.

MARK SWARTZ: C-14 is number nine and M-41 is
number thirteen.

PEGGY BARBAR: Thirteen, thank you.

MARK SWARTZ: Sorry.

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

(Leslie K. Arrington is duly sworn.)

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name for us.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. And what do you do for them?

A. I'm manager of environmental and
permitting.

Q. And did you prepare or supervise the
preparation of the amended notice of hearing, the exhibits,

the application and the exhibits to the application?

A. Yes, we...yes, I did.

Q. Okay. And did you, in fact, personally signed the amended notice of hearing and the application?

A. Yes.

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

A. This is a Middle Ridge. It has 58.74 acres.

Q. And this is a repooling?

A. Yes.

Q. Okay. And the...how many wells are proposed?

A. One.

Q. And is it in the window or outside the window?

A. It's outside the drilling window.

Q. Okay. And why is that?

A. Not only is there an existing mine in that area, if you'll look on...of course, I didn't give them the exhibit, but you're coming down a narrow ridge and you're right at the end of the narrow ridge.

Q. Okay. And so the...and also the mining---?

A. Yes.

Q. ---dictated the location?

A. Uh-huh.

Q. Okay. Is this a frac well that's proposed?

A. Yes, it is.

Q. Have you provided the Board with an estimated of costs?

A. Yes, we have. It's \$287,584.54.

Q. Is there a permit?

A. Yes, it is, 7802. It's drilled to a depth of 2370.

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

A. We've acquired 100% of the coal owner's claim to coalbed methane and 61.4914% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 38.5086% of the oil and gas owner's claim to coalbed methane.

Q. Okay. Are there some escrow requirements here?

A. Yes, there are. Tract 2A, 2B, 2D, 3A, 3D and 3E with 2A having a title conflict in escrow for unknowns.

Q. So, with regard to 2A, there are two reasons for the escrow, a title issue and the tradition

conflict between oil and gas and coal?

A. Yes.

Q. And the rest of the tracts you've named that require escrow are simply the traditional conflicts?

A. Yes.

Q. Okay. Are there any split agreements?

A. Yes. In Tract 2C, 2E, 3B and 3C.

Q. And with regard to the split agreements, are you requesting that if the Board were to enter a pooling order...a repooling order, that you be allowed to pay the folks identified in Exhibit AA directly in accordance with their written split agreements?

A. Yes. In Tract...in Exhibit EE, yes.

Q. And also that in addition to being able to pay them directly, you will be relieved of any obligation to escrow the folks who are identified in Exhibit EE in the future?

A. Yes.

Q. Okay. Do you want...have you named all of the respondents that you're seeking to pool in the amended notice of hearing?

A. Yes, it has.

Q. And have you...do you want to add any to that list?

A. No.

Q. Do you want to dismiss any today?

A. No.

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

A. Mailed by certified mail return receipt on September 19, 2007 and published in the Bluefield Daily Telegraph on September 22, 2007.

Q. And have you provided Mr. Wilson with your certificates of mailing and your proof of publication in that regards?

A. Yes.

Q. Is it your testimony or your opinion that the drilling one frac well in the location indicated on the plat is a reasonable plan to develop the coalbed methane resource under this unit?

A. Yes, it is.

Q. And is your further opinion that if you combine a pooling order with the leasing and acquisition efforts that the applicant has been successful with that that pooling order and the leases would then protect the interests of all claimants and owners?

A. Yes, it would.

Q. Who is the applicant here?

A. CNX Gas Company.

Q. Is CNX Gas Company a Virginia Limited Liability Company?

A. Yes, it is.

Q. And consequentially is it authorized to do business in the Commonwealth?

A. Yes.

Q. Who is it that CNX is requesting be the operator if there is a repooling?

A. CNX Gas.

Q. Okay. And in that regard, is CNX Gas registered with the Department of Mines, Minerals and Energy?

A. Yes.

Q. And also in that regard, does CNX Gas Company have a bond on file?

A. Yes.

Q. And what lease terms to the extent that the Board order would include a reference, the lease terms, would you recommend be incorporated in the Board order?

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

Q. And what is the reason why you're repooling

here?

A. We missed some parties.

Q. Okay. So, you've added...you had to add the parties?

A. Yes.

Q. And, obviously, those people that you've added would have the election option, correct?

A. Yes.

Q. And the other people that are not listed here that might have been pooled before would not because they've already had an opportunity to participate?

A. They should not.

Q. Okay.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Are you utilizing any of the surface of these unknown surface owners?

LESLIE K. ARRINGTON: No...no, sir. I'll need to check, but I'm sure of the answer.

BENNY WAMPLER: I couldn't tell with the map.

LESLIE K. ARRINGTON: No.

BENNY WAMPLER: Any other questions?

KATIE DYE: I have a question, Mr. Chairman.

BENNY WAMPLER: Ms. Dye.

KATIE DYE: What about these where it's not notarized. Is that necessary?

BENNY WAMPLER: She's asking a question about the affidavit of due diligence. Do you have a notarized copy, Mr. Wilson?

BOB WILSON: I'll check and see here. Yes, I do.

BENNY WAMPLER: The copy we have is not notarized. But you do have it?

BOB WILSON: Yes. The file copy is notarized.

BENNY WAMPLER: All right. Any other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

MARK SWARTZ: No, I do not.

BENNY WAMPLER: Is there a motion?

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

MARY QUILLEN AND 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, but Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: Abstain.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: We have one abstention.

BOB WILSON: Excuse me. I'm sorry. I stepped on your tongue there.

KATIE DYE: No, I'm fine. I got it in.

BOB WILSON: This was a repooling. The original pooling did not yet have an order issued. I would like the Board's approval to issue only one order for this pooling under the 01 number for the repooling.

MARK SWARTZ: It works for us.

BENNY WAMPLER: Okay. All right. Next, the Board will, on its own motion, reconsider prior approval of funds to Samuel J. Breeding, Teresa and Russell Campbell, Cheryl Fields and Dennis Counts, Heirs of Inis Counts in the coalbed methane unit VC-2832. This is docket number VGOB-02-1217-1109-03. 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.

BENNY WAMPLER: The record will show no others.
We'll have to get Mr. Hall sworn in.

(Don Hall is duly sworn.)

DON HALL: I've got a corrected Exhibit E. I
don't have but a few copies.

BENNY WAMPLER: We'll share. Go this way. The
three of us we'll look off of this one.

(Don Hall passes out the Exhibit.)

JIM KAISER: Okay. What we have here, is we
previously pooled this tract and we previously had a
distribution from escrow on this tract and then in working
in the same area in an adjoining unit we found that the
interest weren't exactly as depicted in the first force
pooling. Because of the reforce pooling, we now need to do
a redistribution based upon the new percentages of the
owners that are subjected to escrow in that tract.

DON HALL

having been duly sworn, was examined and testified as

follows:

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. So, Mr. Hall, what you've just passed out to the Board, does that represent the correct figures and is that a reconciled balance account of what's in escrow for each of those interest owners in Tracts 2, 4 and 5 for this unit?

A. It is. This is...these figures are based on the repooling that we had last month, which changed the percentages of these units a little bit from the previous force pooling and the previous disbursements. These are the correct figures at this point.

Q. Okay.

BENNY WAMPLER: What date are these effective...is this balance effective?

DON HALL: According to the report, it's based on February the 28th is the date...the total net escrow column. These figures don't reflect any---

JIM KAISER: Yeah, they don't reflect any interest or fees.

DON HALL: And the exhibit I passed out, the Exhibit E is a corrected Exhibit E. That's what's left in escrow.

JIM KAISER: We've been trying to work extensively with Mr. Wilson, as he'll be glad to tell you. I mean, we worked for several hours on this. What we think we have here and what you'll see later today on some of these other ones is I hope what he needs, in particular, to be able to feel confident in a correct disbursement. That basically is a reconciled balance of a date certain and a percentage for each escrowed owner of the total escrow within that unit. That's the important figure.

DON HALL: That's the next to the last column on the right.

BENNY WAMPLER: And are you asking to pay directly from the February 28th date forward to the parties?

DON HALL: No, that's just the date that it was reconciled. No, we're asking to be paid from whatever is in the account at the current time.

JIM KAISER: Correct.

BENNY WAMPLER: Okay.

JIM KAISER: And then, obviously, pay directly on an ongoing basis?

BENNY WAMPLER: Right. Do you have anything further?

JIM KAISER: No. We'd just ask that this disbursement be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS AND 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.
Next is a petition from Chesapeake Appalachia, LLC for pooling of conventional gas unit 826109, docket number VGOB-07-0918-2026. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, in this matter, it will be Jim Kaiser, Dennis Baker and Stan Shaw on behalf of Chesapeake Appalachia. I'll pass out some revised exhibits.

BENNY WAMPLER: I need to get you gentlemen sworn.

(Dennis R. Baker and Stan Shaw are duly sworn.)

(Jim Kaiser passes out revised exhibits.)

JIM KAISER: Okay---.

BENNY WAMPLER: The record will show no others.

You may proceed.

JIM KAISER: ---we'll start with Mr. Baker.

DENNIS BAKER

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baker, this was originally a petition that was filed for the September docket and then we continued it. Could you explain why we continued it?

A. Yes. We had a notice issue on page...page two on Tract Number 8. We had one individual identified that came forward. So, we had to continue it in order to meet the requirements of the Board for notice.

Q. So, you had one individual that come forward that we had not had identified in our original application?

A. Yes. That was Ermalene Boyd---.

Q. Okay.

A. ---under the French Coleman Heirs.

Q. Okay. that's the last party that's listed

there in Tract 8?

A. Yes.

Q. And we do have a---?

BENNY WAMPLER: In the revised exhibit...in the revised---

Q. In the revised exhibit, correct?

A. Revised exhibit. In addition, all of the French Coleman Heirs are now leased. They were originally shown as unleased.

Q. Okay. Let's just go through the revised exhibits. So, what we...we had to continue to affect proper notice on Ermalene Boyd who is an undivided interest owner in Tract 8. Then, in the meantime, we have picked up a bunch of leases from the French Coleman Heirs on Tract 8, which are reflected in Exhibit B-2, correct?

A. Yes, that's correct.

Q. Okay. Just leaving the folks that you see in B-3 as being the unleased parties?

A. Yes.

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

A. Yes, it does.

Q. Are you familiar with the application that we filed seeking to both establish a drilling unit and pool

any unleased interest in the unit for well 826109?

A. Yes.

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

A. Yes, we do.

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

A. Yes.

Q. And what is the interest under lease to Chesapeake within the unit at this time?

A. At this time, the interest under lease is 99.010560.

Q. Okay. And what percentage of the unit remains unleased?

A. Unleased interest is .989440.

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

A. Yes.

Q. Okay. We do have a unknown party in this unit?

A. Yes, we do.

Q. The Basil Fields Heirs?

A. Yes.

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

A. Yes.

Q. In your professional opinion, was due diligence exercised to locate each of the respondents named in Revised Exhibit B-3?

A. Yes.

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

A. Yes.

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

A. Yes, I am.

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

A. 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.

Q. Now, as to the respondents and interest owners listed at Revised Exhibit B-3 who remain unleased, do you agree that they be allowed the following statutory options with regard to their 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/her interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to his or her share equal, A) 300% of the share of such costs applicable to the interest of the carried operator of a leased tract or portion thereof; or B) 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that the order provide

that any elections by the respondents be in writing and sent to the applicant at Chesapeake Appalachia, LLC, 900 Pennsylvania Avenue, Charleston, West Virginia 25362, Attention: Matthew Troup?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Should the unleased respondents be given 30 days from the date that they receive the executed Board order to file their written elections?

A. Yes.

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

A. Yes.

Q. Does the applicant expect the party

electing to participate to pay in advance that party's share of actual completed well costs?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to the payment of well costs, then any cash sum becoming payable to that respondent be paid within 60 days after which they could have paid their well costs?

A. Yes.

Q. Do you recommend that the order provide that if a respondent refuses...do you recommend that...let's see, we don't need an escrow account in this case do we?

A. Yes.

Q. Yeah, we do. We've got an unknown interest in Tract 6 and 8. So, the Board needs to establish an escrow account to account for proceeds attributable to the Basil Fields unknown interest in both Tracts 6 and 8, correct?

A. Yes.

Q. 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?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Just a quick question actually for information. Mr. Baker, how are you doing? For the Basil Fields, I'm just questioning, "address unknown/unbeatable". I just wondered about the definition of that. If you'll look at the last page of your handout. It's several times. I just wanted to know what that meant.

DENNIS BAKER: We do not...we have not found anyone can tell us where the man lives or they haven't heard

from him in years.

BILL HARRIS: So, that's the language that is used there?

DENNIS BAKER: Unknown---.

JIM KAISER: It should say "unknown and unlocateable". You've got "unbeatable" on there?

BILL HARRIS: Yes.

MARY QUILLEN: Uh-huh.

JIM KAISER: That's us, we're unbeatable.

(Laughs.)

JIM KAISER: I don't know. That's a typo, obviously.

BILL HARRIS: Oh, it is? So, unlocateable is what it should say.

JIM KAISER: Yeah. Unlocateable, yeah.

BILL HARRIS: Okay. I just...okay, thank you.

SHARON PIGEON: We thought you were beating the bushes.

BILL HARRIS: Yeah, that's what I thought.

(Laugh.)

JIM KAISER: Oh, I like that.

BILL HARRIS: And then when he said he tried everyone, I thought, well, this is...that's what it is. Okay, so unlocateable. Thank you.

BENNY WAMPLER: Other questions?

(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, could you state your name, who you're employed by and in what capacity?

A. My name is Stan Shaw. I'm employed by Chesapeake Appalachia, LLC as a reservoir engineer.

Q. And do your responsibilities include the unit here and the land in the surrounding area?

A. Yes.

Q. And you're familiar with the proposed development of this well?

A. Yes.

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

A. 6,460 feet.

Q. Are you requesting the force pooling of conventional gas reserves to include the designated

formations as stated in the application and any other formations excluding coal formations, which may be between those formations designated from the surface to the total depth drilled?

A. Yes.

Q. What are the estimated reserves for this unit?

A. 400 million cubic feet.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. The dry hole costs are \$305,080 and the completed well costs are \$619,035.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All 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-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.

PHIL HORN: Phil Horn from Pine Mountain. We've got the last three on the docket. I'd like to push this one to the end.

BENNY WAMPLER: All right. We'll do that.

PHIL HORN: Okay.

BENNY WAMPLER: All right. Next is number nine---

AUDIENCE MEMBER: What time is that going to be? That's the one that...we're here for that one.

BENNY WAMPLER: Well, we can't tell you a time that we'll do it. Do you object to continuing it?

AUDIENCE MEMBER: Yeah, we'd like to go ahead and get it done.

PHIL HORN: I don't have...our lawyer is in Kingsport. I'd have to call him and get him up here.

BENNY WAMPLER: Okay. Why don't you try to do

that and we'll go ahead and when he gets here, we'll hear the case.

PHIL HORN: Okay. All right.

BENNY WAMPLER: Thank you. We'll try to accommodate you the best we can.

AUDIENCE MEMBER: Thank you.

BENNY WAMPLER: Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit C-14, this is number nine on the Board's agenda, by the way, docket number VGOB-07-1016-2041. 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 CNX as applicant and operator, with regard to his employment and with regard to standard lease terms.

BENNY WAMPLER: That will be incorporated. His reminded he's still under oath.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, you do need to state your name for us one more time though.

A. Leslie K. Arrington.

Q. And with regard to C-14, which is the unit that we're talking about at the moment, who prepared or supervised the preparation of the notice of hearing and related exhibits and the application related exhibits?

A. I did.

Q. And did you actually personally sign both the notice of hearing and the application?

A. Yes.

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

A. We published in the Bluefield Daily Telegraph on September 24, 2007 and mailed by certified mail on September 14, 2007.

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

A. Yes, we have.

Q. Do you wish to add any respondents today?

A. No.

Q. Do you wish to dismiss any?

A. No.

Q. Okay. What kind of unit is this?

A. This is an Oakwood 80.

Q. Okay. And how many wells are proposed?

A. One.

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

A. Within.

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

A. Yes, we have. It was \$247,436.12 to a depth of 2481. The permit number is 8561.

Q. This morning, did you provide the Board with Exhibit A, page two?

A. Yes, do. And the reason for that---.

Q. Okay.

A. ---is it was left out of the package.

Q. Okay. And on Exhibit A, page two, do you indicate the interest that you've acquired and the interest that you're seeking to pool?

A. Yes, we do. The interest that we've acquired is 62.8937% from the coal, oil and gas owner. We're seeking to pool 37.1063% of the coal, oil and gas owner.

Q. And is there a escrow requirement?

A. No.

Q. Is there...are there any split agreements?

A. No.

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

A. Yes, it is.

Q. Is it your further opinion that if you combine a pooling order pooling the respondents named in the notice and application with the leasing and acquisition efforts of the applicant, that the correlative rights of all owners and all claimants will be protected?

A. Yes, they will be.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion---

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. You have approval. And we'll go to thirteen on the Board's agenda. Next is a petition from CNX Gas Company, LLC for repooling of coalbed methane unit M-41, docket number VGOB-95-0620-0507-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

MARK SWARTZ: I would request, again if I might, that you incorporate Mr. Arrington's testimony with regard to the applicant and the operator, his employment with CNX and the standard lease terms.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Yes.

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

A. Leslie K. Arrington.

Q. Did you prepare or supervise the preparation of the notice of hearing, the application and the related exhibits?

A. Yes.

Q. And did you sign the notice of hearing and the application?

A. Yes.

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

A. We mailed by certified mail, return receipt requested on August 17, 2007 and published in the Bluefield Daily Telegraph on August 27, 2007.

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

A. Yes, we have.

Q. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. And there are no revised exhibits?

A. No.

Q. As of today?

A. No.

Q. Okay. Would you explain to the Board what interests you've been able to acquire and what it is you're seeking to pool in this unit?

A. Yes. We've acquired 99.901985% of the coal, oil and gas owner's claim to coalbed methane. We're seeking to pool 0.098015% of the coal, oil and gas owner's claim to coalbed methane.

Q. Okay. And this is a repooling?

A. It is.

Q. And it's what kind of a unit?

A. It's an Oakwood 1. It's had 80 acres in it.

Q. And is the reason for the repooling that you're doing a second well in the unit?

A. Yes, we are.

Q. Okay. Where are these two wells located in

relation to the window?

A. Both are within the drilling window?

Q. Okay. Have you provided the Board with information concerning both of these wells?

A. Yes, we have. The total costs for both wells are \$442,570.13. One...68...well 618's permit number is 2739 and well M-41 is 8408. 618 is drilled to the depth of 1420 and M-41 is going to be drilled to a depth of 1898.

Q. Okay. Are there any escrow requirements in this unit?

A. No.

Q. Are there any split agreements in this unit?

A. No, sir.

Q. Is it your opinion that drilling two frac wells in the location shown on the plat was a reasonable way to develop the coalbed methane resource within this unit?

A. Yes, it is.

Q. Is it your further opinion that if you combine the acquisition and leasing efforts of the applicant with a pooling order pooling the respondents named that the correlative rights of all owners and claimants will be protected?

A. Yes, they will be.

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

BENNY WAMPLER: Questions from members of the Board?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Could I ask for a clarification, please?

BENNY WAMPLER: Sure.

BOB WILSON: If you have a party electing to participate in here, they will be paying their share of the old existing well and the new one and will be sharing in the proceeds of the unit from original production, is that correct?

LESLIE K. ARRINGTON: Unfortunately, yes.

BENNY WAMPLER: That's what the Board said. Thank you for the clarification.

BILL HARRIS: Mr. Chairman, let me just ask a question---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---related also to two wells. Is this all or none for prospective participants? In other words, they can't participate in one well---

LESLIE K. ARRINGTON: No.

BILL HARRIS: ---without the other? So, it's

both?

LESLIE K. ARRINGTON: Right.

BILL HARRIS: Thank you.

BENNY WAMPLER: In the fairness issue that we felt as the Board was that if they do participate, as Mr. Wilson clarified, it goes back to the beginning of production so they're not losing out on anything.

BILL HARRIS: 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?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

MARY QUILLEN: Second.

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

(No audible response.)

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

(All 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, Ms. Dye.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Could we please at this time give brief consideration to item number forty-six which is an item that I brought up the last time before the Board to reconsider or to consider defining the boundary of the Oakwood and Nora Fields.

BENNY WAMPLER: I'll go ahead and call that. The Gas and Oil Board on its own motion will consider proposal to define the boundary and unit configurations at the juncture of the Oakwood and Nora Coalbed Methane Fields and modify Field Rules under docket numbers 89-0126-0009 and 93-0216-0325 as previously modified to include the boundary definition. Mr. Wilson.

BOB WILSON: Thank you. This has proved to be a bit more difficult than I had anticipated. A little bit more involved, I guess I should say. If you will recall, the problem is basically that the Nora Field was first defined and then Oakwood Field which does define to overlap the Nora Field, but the boundary between the two for the most part has never been defined, nor has the handling of

the units that are adjacent to that boundary. That was our objective.

The operator CNX and Equitable, as well as Glen Phillips, have very graciously supplied us with their electronic files as to how they have these unit boundaries defined. There was some discrepancies in those. But the major problem that we have found is that there are some undefined points in the way that the initial fields were defined. To give you a little bit of background, if you look at the sheet that I handed out to you, the green area to...generally to the left is the Nora Field. That field was originally defined basically as a...essentially rectangle field. The green line that you see on the top of the diagram essentially continued all the way through the south and defined the eastern boundary of the Nora Field. Subsequent to that, the Oakwood Field was approved and it actually, as modified, eventually overlaid the Nora field. At the time this was done, there was very little activity in that area. There probably wasn't much concern with that boundary. As it stands now, it's being developed in that direction and we need to make that distinction.

Part of the problem comes in with the original Oakwood order...or I should say, I'm sorry, the modified Oakwood order defines some of these corners not according to

specific survey points, but according to so many...for instance, five units to the west and then 28 units to the south, which is a distance measure but it does not really define these points. We found discrepancies between what we're using and what the company are using individually. So, actually what we need to do is get some definition of those points. When these things were done, there was very little thought of GPS or anything of the sort. We actually have coordinates on the maps that were submitted with this in our office, but they don't...they don't match with anything on here insofar as these corners are concerned where I have the circles. Now, some of them are good and some of them are not. What I would like to suggest is that we continue to work on this with the major operators who are active in this area, being CNX and Nora, Appalachian Energy has interest in this area as well and anybody else who wants input for that matter and see if we can define these corners to everybody's satisfaction and get a map and a boundary for these two fields that everybody knows what it is and everybody can use it. Then, we can define how to handle these smaller or larger units that are adjacent to the boundary. For the most part, the Oakwood units are defined, but because it was overlaying on the Nora Field, the Nora units are the ones that need to be defined at this point in

time. Then, there's some discrepancies with the way the individual operators are showing their maps with the actual definition where we can define it in the order. So, with the Board's permission, I'd like to continue to work on this and get these people a little more involved and see if we can define some of these things and then bring it back and modify both of those field rules to define this boundary.

BENNY WAMPLER: Any comments? We'll need you to state your names for the record if you make comments.

MARK SWARTZ: Mark Swartz. I would add a third step. What I'm hearing you say is we need a map and then we need to deal with the overlap and make some kind of a decision. If our map starts to change the location of pooled units, can we also consider with the Board, can we grandfather those units so that we don't have to remap them, retitle them and come back? I mean, it's an issue that we need...that we need to address because we're going to...we could change percentages in units inadvertently. So, it's something that needs to be on everybody's screen when we do this. I mean, I would add that as an item three.

BOB WILSON: Yes. We had actually anticipated that as well and what we would like to do is first define the boundary and then define where we have problems of that sort. Actually, it's going to be...there are going to be

fewer of those than I had anticipated. The boundary, if you remember, on the southern most edge of the southwest corner there was defined. That's the only place that we've modified the field rules and actually have an order defining that boundary. So, that's where most of the wells are too, fortunately. So, we're okay down there. There are a couple of places where we appear to have wells in units that we'll have to go back and see how they were defined and if they were pooled. But, yeah, that's going to be another problem that we have to confront after we have come up with a plan here.

BENNY WAMPLER: Any other comments?

MARK SWARTZ: If I might.

BENNY WAMPLER: Sure.

MARK SWARTZ: I think...I don't know if this exhibit is intended to just say this is the only mapping area that needs to be considered, but I think Les is concerned that if we're looking at this that we probably need to get an agreement on the northern...you know, on all of the east, west and north areas that don't, you know, contact the state line or something because I think we're going to have similar questions now that we've got GPS and better mapping.

BOB WILSON: Right. I agree---.

LESLIE ARRINGTON: We've already run into it.

MARK SWARTZ: Okay.

BOB WILSON: Yes, yes. We have found actually some discrepancies away from this line between what we have when we tried to plot it according to the definition and what you folks are using on one hand and Equitable is using on the other hand. So, yes, I think it will be a good time to go back and define the entire boundaries of these fields while we're at it. Rather than rushing it through, kind of take our time and get it right this time and put it in the orders so that everybody will have the same corners to deal with.

BENNY WAMPLER: What Mr. Wilson is asking is to bring it back to the Board when he has all the information he needs to be able to present to the Board on its own motion a reconsideration of the boundaries of the Nora and the Oakwood Fields.

BILL HARRIS: Can I just ask a quick question?

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: The red line is what...I know you talked about corners and I know the blue is the Oakwood and Nora is green. What was the...is that the outline of the area?

BOB WILSON: The red line is our best attempt to

plot the boundary of the field...the Oakwood according to the order that the Board issued.

BILL HARRIS: The original orders in setting of the field.

BOB WILSON: Yeah. This came from us entirely. The grids are actually...I believe the green grid is actually...was supplied by Equitable and the blue grid was supplied by CNX because they are the major operators in those two fields. The red line is our plotting from the definition in the Board orders. Again, if you look to the western side of this exhibit, the five unit area that sticks out into the Nora Field there, the definition there says, "The five units to the west and then twenty-eight units to the south." That was the original definition without any points at all to tie that corner. So, it's very much subjected to whoever happens to be next to it rather than the actual definition.

MARY QUILLEN: Are you looking at it as Nora---?

BILL HARRIS: Oakwood...well, Oakwood---.

MARY QUILLEN: Oh, okay.

BILL HARRIS: See Oakwood---.

BOB WILSON: Yes.

MARY QUILLEN: This is---?

BOB WILSON: That's the Nora. Yes, ma'am.

MARY QUILLEN: This is Nora, okay.

BENNY WAMPLER: The green Nora.

MARY QUILLEN: Okay, okay.

BILL HARRIS: Well, I went by Oakwood being at the upper right, is that---?

BOB WILSON: Yes.

BILL HARRIS: Okay.

BOB WILSON: Yeah, I'm sorry. We were...this is part of what we were working with. I should have put a little bit more description on here for you.

BILL HARRIS: An arrow that showed north would help. One other question, the...I think I was here during the time when these were originally set up, but what was...what determined the boundaries. Was it the amount of gas that was present, the geologic structure? I can't remember when we decided on boundaries between...or the end of the Oakwood Field. What was it that made us in there and continue that grid on out?

BOB WILSON: Yeah. Actually, there are other people here who probably can answer this better than I could because I wasn't sitting here when this was done. But, going back and looking at the record, which we have done for this, the Nora Field was defined...Equitable actually kicked off the coalbed methane explanation...exploration in like

'88, I believe it was, with the first wells and they came in to get the Nora Field defined. That was the first one that we had. I don't know...they base it on what they consider to be broadly a common source of supply, which is the definition of a field, of course. They came up with that square area. I don't suspect that anybody at that time had enough idea of the character of what they were getting into to---

DON HALL: I think the actual field boundary was established on latitude and longitude lines. If I'm not mistaken, I believe the Oakwood Field was based on topographic grids, weren't they, Les?

LESLIE ARRINGTON: I don't remember. It's laid out according to the lat and longs also.

DON HALL: It would be on a topographic grid, but I was thinking---

LESLIE ARRINGTON: Yeah.

DON HALL: ---that it stopped with this particular grid line.

BOB WILSON: Yeah, actual---

LESLIE ARRINGTON: See, we...well, we reached over to a quad line and then went to the state boundary and then back to the east.

BILL HARRIS: Um, okay.

DON HALL: Yeah.

BENNY WAMPLER: Mr. Harris, there was extensive testimony for both fields by a geologist.

BILL HARRIS: Yes, I remember that because they talked about the gas...the amount of gas...the amount of coal---.

BENNY WAMPLER: And in both cases---.

BILL HARRIS: Yeah.

BENNY WAMPLER: ---this was an approximate because it was to be defined as drilling across those areas and that's what we're getting into now to be further defined.

BILL HARRIS: Yeah, okay.

BOB WILSON: Actual...yeah---.

MARK SWARTZ: There was a pretty significant difference in gas content and---.

BENNY WAMPLER: Right.

BILL HARRIS: Yeah, that's what...I remember that testimony.

MARK SWARTZ: ---that was addressed in detail. But, I mean, that was sort...that sort of drove the design of the field because as the coal thinned out and the gas content diminished as you went west...I mean, you probably remember that. There was quite a bit of that. But, you know, within the context of that as the Chairman suggests,

you know, you're just making a judgment as to where to end one and start one. I mean, there's no like place underground that you can say, well, this is where we should be. Well, you know that.

BILL HARRIS: Oh, yeah, yeah. Thank you.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: I was not on Board and just for my own information, which field was developed first, the Oakwood or the Nora? The Nora?

BOB WILSON: The Nora.

BENNY WAMPLER: The Nora was.

MARY QUILLEN: Okay.

BOB WILSON: I might add too, the original Oakwood Field was defined as a square or a rectangular, I should say, and not an exact square, of course. But the...if you look at the diagram that I gave you, the juncture where the blue grid and the green grid come together at the top of the map, that line continued to the south and that defines the Oakwood Field originally. It was modified several times to add these other areas here.

MARK SWARTZ: And to the east.

DON HALL: I think the overlap area on the Nora Field was from here over. I think the Nora Field was, at one time, this line here.

BENNY WAMPLER: It was.

BOB WILSON: Yes.

BENNY WAMPLER: Straight down from the top green.

LESLIE ARRINGTON: That is correct.

MARY QUILLEN: Okay. In the southwest corner there is...I'm not familiar enough with where the location of the wells, but in this area down here, is there significant wells have been drilled and developed down in the southwest corner. So, that's one of the ones that is...or one of the areas that would be a problem if wells---
.

BOB WILSON: There are significant wells drilled in that southwest corner, but the area...if you look at the bottom...that southwest corner of the map, there are two units over and then down and then it stair steps over a ways. Where that first east/west line runs six units there...six Oakwood units to the east, that area was defined. When the Board modified the field rule...the Oakwood Field Rule to accept that area down there, they actually defined that boundary. So, there are no problems there.

MARY QUILLEN: Oh, okay.

BOB WILSON: It's actually defined in an order. That's the only place along there that has been.

MARY QUILLEN: That's the only place...okay, okay. Because that looks...just looking at the grid, it looks...to me, just looking at it, that this would be area of significant problems if it has not been defined and you say it has. So---.

BOB WILSON: Yes, that...the exception or the original order to remove that area from the Oakwood Field is on a provisional basis and then the operators came back in and made it permanent and at that time the boundary was specifically defined to include smaller units, make up units, and even one unit that actually overlaps such that the people in that portion are doubly paid. But it is defined down there, which is fortunate because it's also where the most wells are.

MARY QUILLEN: Yeah. Oh, okay, okay.

BENNY WAMPLER: Other questions?

MARY QUILLEN: That just jumped out as problematic to me.

BENNY WAMPLER: Okay, without objection then, this will be continued until Mr. Wilson can come back to the Board with a reconciliation of these unit boundaries.

BOB WILSON: Mr. Chairman, because we don't have any other people appearing today, is this something that needs to be put on the agenda or can we just work on this

and bring it back in---.

BENNY WAMPLER: I think we probably at the time it's ready to come back needs to be on the Board's agenda for public notice. We'll take a ten minute recess and continue with number fourteen. Thank you.

(Recess.)

BENNY WAMPLER: The next item on the agenda is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537648, docket number VGOB-07-1016-2045. 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, it will be Jim Kaiser and Don Hall on behalf of Equitable Production Company. Mr. Hall, I believe, has already been sworn. The record will show no others. You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Now, Mr. Hall, before we get into your standard testimony, we do have a set of revised exhibits. Could you explain to the Board what those revisions represent?

A. Yes, I've already distributed them to the

Board. The new exhibits indicate that we have leased the party who was initially shown as unleased. Carl Rasnake, Tract Number 8 is now currently leased, leaving only one party unleased at this time.

Q. That being Jack Rose?

A. That's correct.

Q. So, the new lease is reflected in Exhibit B-2?

A. Yes.

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

A. They do.

Q. And you're familiar with the application that we filed seeking a pooling order to pool any unleased interest in the unit for well V-537648, which was dated September the 14th---

A. Yes.

Q. ---2007?

A. Yes.

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

A. We do.

Q. And prior to the filing of the application, were efforts made to contact each of the interest owners

within the unit and an attempt made to work out a voluntary lease agreement?

A. Yes.

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

A. We currently have 91.03% leased.

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

A. 100%.

Q. So, that leaves 8.9%...8.97% of the gas estate unleased?

A. That's correct.

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

A. No.

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

A. Yes.

Q. Are you 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 the unit here and in the

surrounding area?

A. Yes.

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

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

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

A. Yes.

JIM KAISER: Now, Mr. Chairman, as to the statutory election options that would be afforded the one unleased party, Mr. Jack Rose, we'd ask that the testimony taken earlier this morning in docket number 07-0918-2026 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, all right, we do...the Board does need to establish an escrow account for conflicting claims, is that correct?

A. That's correct.

Q. And that would cover proceeds that would be attributable to Tracts 1, 2, 3, 4, 5, 6, 7, 8 and 9?

A. That's correct.

Q. So, everything in the unit but Tract 10?

A. Yes.

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

A. Equitable Production Company.

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

A. It's 2681 feet.

Q. The estimated reserves over the life of 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 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 \$153,868 and the completed well cost is \$351,651.

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, prevention of waste and protection of correlative rights?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted, Mr. Chairman, with the set of revised exhibits to reflect the additional lease.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Let me...may I ask just one quick question?

BENNY WAMPLER: Sure, Mr. Harris.

BILL HARRIS: The well is outside of the drilling window. Would you address that?

JIM KAISER: Yeah, it would be addressed in the

permitting process.

BILL HARRIS: I was just curious as to---.

DON HALL: Well, obviously, if it's outside the window there's---.

BILL HARRIS: There's mining or---?

DON HALL: Some problem with it being selected inside the window, mining or...I'm not sure why. That permit has not been applied for yet. Those location exceptions are handled through the permit process.

BILL HARRIS: Yeah, I'm aware of that. I was just curious. Okay, thank you.

DON HALL: Uh-huh.

BILL HARRIS: Thank you.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BILL HARRIS: I move for approval.

BENNY WAMPLER: I have a motion for approval. Is there a second?

PEGGY BARBAR: I 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. The next item is a petition from Equitable Production Company for pooling coalbed methane unit VC-537869. This is docket number VGOB-07-1016-2046. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

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 with Equitable 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 VC-537869?

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 obtain a voluntary lease from each?

A. Yes.

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

A. We have 96.85% leased.

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

A. 100%.

Q. All unleased parties are set out at Exhibit B-3 to the application?

A. They are.

Q. So, what remains unleased at this time is 3.15% of the gas estate, correct?

A. That's correct.

Q. Okay. And that actually is the gas estate in Tract 2 in the unit, which is a unknown entity?

A. Yes, that's correct.

Q. And, in your opinion, were reasonable and diligent efforts made and sources checked to identify and

locate this unknown entity or any stockholders that may have succeeded to the interest of Dominion Mining?

A. Yes. This is a company that's similar to Yellow Popular Lumber Company and we've addressed several times before that sort of disappeared in the early 1900s. We can't find any further record of what became of that company or who their stockholders were or whatever.

Q. And you checked resources in Richmond and the Secretary of State and old title opinions and abstracts and---

A. Yes.

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

A. Yes.

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

A. They are.

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

A. Yes.

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

area?

A. Yes.

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

A. We pay five dollars per acre per year 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, at this time, we'd again ask that the election...statutory election options afforded the shareholders of Dominion Mining, should they ever be identified, and their time frames in which to make those elections and the ramifications thereof be incorporated for purposes of this hearing based upon the testimony taken in 07-0918-2026.

BENNY WAMPLER: That will be incorporated.

Q. And, Mr. Hall, the Board does need to establish an escrow account for the proceeds to Tract 2, is that correct?

A. That's correct.

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

A. Equitable Production Company.

JIM KAISER: I need to go back, Mr. Chairman, and ask one question in connection with the written elections, if I may.

BENNY WAMPLER: Okay.

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

A. Yes.

Q. Mr. Hall, what is the proposed depth of the...the depth of the proposed well here?

A. 2,090 feet.

Q. And the estimated reserves over the life of the unit?

A. 330 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. The dry hole cost is \$138,066 and the completed well cost is \$301,969.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: 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 members signify by saying yes, but Donnie
Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I'll abstain.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next
is a petition from Equitable Production Company for pooling
coalbed methane unit VC-537889, docket number VGOB-07-1016-
2047. We'd ask the parties that wish to address the Board
in this matter to come forward at this time.

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

(Don Hall passes out revised exhibits.)

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, before...again, before we get into your standard testimony, go ahead and explain the revised set of exhibits.

A. Since the application was made, we picked up three more leases on this tract. We picked up, as shown in Exhibit B-2, we've got Albert Rasnake and Kathy Williams leased in Tract 6 and Albert Rasnake in his own right in Tract 7. These new exhibits reflect those particular changes.

Q. Okay. So, the only thing...really what they reflect is a...through B-2 a dismissal of them from being pooled and then, obviously, the percentage of B-3 goes down unleased?

A. That's correct.

Q. Okay. Again, you're familiar with the application that we filed seeking to pool any unleased interest in the unit for EPC well VC-537889, which was dated September the 14th, 2007?

A. Yes.

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

A. We do.

Q. And both prior to and after filing the application, did you make efforts and continue to make

efforts to reach a voluntary agreement with each of the interest owners within this unit?

A. Yes.

Q. And what is the percentage of the gas estate that is currently under lease to Equitable?

A. We currently have 99.121429% leased.

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

A. A 100%.

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

A. They are.

Q. So, that means the only thing that is unleased at this time is 0.878571% of the gas estate?

A. That's correct.

Q. Okay. In this particular unit, we do not have...we were able to identify all of the interest owners?

A. Yes.

Q. Is that correct?

A. Yes.

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

A. Yes.

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

A. They are.

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

A. Yes.

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

A. Yes.

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

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

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

A. They do.

JIM KAISER: Mr. Chairman, again, we'd ask that the election...statutory election option testimony afforded any unleased parties previously taken in 2026 this morning be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, in this particular case, due to conflicting claims to the ownership of the coalbed methane, we need the Board to establish an escrow account covering proceeds from Tracts 2, 3, 4, 5, 6 and 7?

A. That's correct.

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

A. Equitable Production Company.

Q. And the total depth of this proposed well?

A. It's 2131 feet.

Q. Estimated reserves over the life of the unit?

A. 330 million cubic feet.

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

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of 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 \$146,590 and the completed well cost is \$338,780.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussions?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next
is a petition from Equitable Production Company for pooling
of coalbed methane unit VC-537890. This is docket number
VGOB-07-1016-2048. We'd ask the parties that wish to
address the Board in this matter to come forward at this
time.

JIM KAISER: Mr. Chairman and members of the
Board, Jim Kaiser and Don Hall on behalf of Equitable
Production. We are pleased to announce that this
application can be withdrawn. We were able to obtain a
voluntary lease from the one unleased party. So, we have a
100% voluntary unit.

BENNY WAMPLER: Very good. Next is a petition
from Equitable Production Company for pooling of Nora
Coalbed unit BU-42, docket number VGOB-07-1016-2050. We'd
ask the parties that wish to address the Board in this

matter to come forward at this time.

DON HALL: Excuse me, I believe you skipped one.
Number eighteen.

BENNY WAMPLER: I'm sorry. It's because I wrote down withdrawn on the wrong one. Okay, sorry. Next is a petition from Equitable Production Company for pooling coalbed methane unit VC-537925, docket number VGOB-07-1016-2049. This is number eighteen on the Board's docket. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

BENNY WAMPLER: 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 in this unit and in the surrounding area?

A. Yes.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in the unit for EPC well number VC-537925 dated September the 14th,

2007?

A. Yes.

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

A. We do.

Q. And prior to the filing of the application and after filing of the application, did you continue to attempt to reach a voluntary lease agreement with all of the respondents owning and interest in this unit?

A. Yes.

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

A. We have 97% leased.

Q. 97%. And the interest under lease to Equitable in the coal estate?

A. A 100%.

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

A. Yes.

Q. So, what remains unleased within the unit is 3% of the gas estate?

A. That's correct.

Q. Okay. Again, in this unit, we've identified all of the interest owners. We don't have any

unknown or unlocateables, correct?

A. That's correct.

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

A. Yes.

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

A. Yes.

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

A. We are.

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

A. Yes.

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

A. We pay five dollars and an acre on a five year term with a one-eighth royalty.

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

within this unit?

A. They do.

Q. Okay. In looking at your plat, before we get into the operational testimony, you'll see that the well is again outside the interior window. Do you know if the permit has been applied for on this well?

A. Yes, it has been.

Q. Okay. So, it will be taken care of in that permit process?

A. That's correct.

Q. Okay. Do you know why that's outside the window?

A. No, I don't.

JIM KAISER: Mr. Chairman, as to the election options afforded the two unleased parties, we'd ask that the testimony taken previously in item 2026 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, in this particular unit, we need...the Board does need to establish an escrow account due to conflicting claims to the coalbed methane and that would cover any proceeds attributable to Tracts 2 and 3 in the unit?

A. Yes, that's correct.

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

A. Equitable Production Company.

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

A. It's 2119 feet.

Q. Estimated reserves over the life of the unit?

A. 250 million cubic feet.

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

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of 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 \$125,457 and the completed well cost is \$338,953.

Q. Does 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 at this time of this witness, Mr. Chairman.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Just a---.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---quick question. On the well location plat, I just have a question about one of the features that's there. Coming up from the lower right, there's this finger-like projection that extends into the window. I was just wondering what that---.

DON HALL: That's a DMLR permitted area. It's required to be shown on the permitting application.

BILL HARRIS: Okay. I see it's very faint.

JIM KAISER: If you look at the top of the finger there, it will give you the permit---.

BILL HARRIS: Yeah, I see it there. Yeah. Okay, thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next is a petition from Equitable Production Company for pooling of Nora Coalbed methane unit BU-42. This is docket number VGOB-07-1016-2050. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, at this time, Jim Kaiser and Don Hall, again, on behalf of Equitable Production. We'd ask that the Board continue this over until the November docket. Mr. Hall, why are we seeking this continuance.

DON HALL: In the process of doing our title work on this property, we discovered two additional tracts. Actually, they're overlapping areas that initially we thought Standard Banner owned it, but we've in these two additional tracts appeared to overlap the Standard Banner property. So, we need to...we need to continue it so that we can notify those potential claimants.

BENNY WAMPLER: That will be continued until November. Next is a petition from Equitable Production Company for pooling coalbed methane unit VC-537970. This is docket number VGOB-07-1016-2051. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

BENNY WAMPLER: I need you ladies to state your names for the record, please.

SUE TAYLOR: Sue Taylor.

REGINA SMITH: Regina Smith.

SYBIL BUNDY: Sybil Bundy.

BENNY WAMPLER: Thank you. We'll let him go through the testimony and then we'll let you make whatever statement and questions that you have, okay.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

Q. Are you familiar with the application we filed seeking to pool any unleased interest in the unit for EPC well number VC-537970, which was dated September the 14th, 2007?

A. Yes.

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

A. We do.

Q. And was an attempt made to prior to the filing of the application to reach a voluntary lease agreement with each of the respondents named as owning an interest within the unit?

A. Yes.

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

A. We have...in the gas estate we have a 100% leased.

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

A. We have 94.38% of the coal estate.

Q. Which is all of it except for Tract 5?

A. Yes.

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

A. Yes.

Q. So, what remains unleased is 5.62% of the coal estate?

A. Yes.

Q. All right. And it looks like we were able to identify all of the interest owners within the unit?

A. Yes.

Q. So, we don't have any unknown or unlocateables, right?

A. I believe that's correct.

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

A. Yes.

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

A. Yes.

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

A. We are.

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

A. Yes.

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

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

Q. In your opinion, do the terms that you just testified to represent the fair 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, the time in which to make them and implications thereof, and

the testimony taken earlier in 2026 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Okay. Let's see, Mr. Hall, in this particular unit the Board does need to establish an escrow account for conflicting claims and that would be just Tract 5?

A. That's correct.

Q. Okay. So, all proceeds attributable to Tract 5 would be subjected to the Board's established escrow account---?

A. Yes.

Q. ---correct?

A. Yes.

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

A. Equitable Production Company.

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

A. 2475 feet.

Q. And the estimated reserves over the life of the unit?

A. 200 million cubic feet.

Q. Has an AFE been reviewed, signed and

submitted to the Board as Exhibit C?

A. Yes.

Q. In your opinion, does it represent a reasonable estimate of 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 cost is \$156,567 and the completed well cost is \$411,068.

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 of this witness?

MARY QUILLEN: Just---.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---one of Mr. Hall. What was the depth of this well? I missed that.

DON HALL: 2475.

SUE TAYLOR: 2475 feet.

BENNY WAMPLER: Other questions of this witness?

(No audible response.)

BENNY WAMPLER: Okay. I'll let you ladies go in order. Tell us who you are. We need to...we need to swear them...all three of them in.

BENNY WAMPLER: Okay. I'll let you ladies go in order. Tell us who you are. We need to...we need to swear them...all three of them in.

(Sue Taylor, Regina Smith and Sybil Bundy are duly sworn.)

BENNY WAMPLER: As you talk, tell us who you are, okay, each time so that we have a record.

SUE TAYLOR: Each time I talk?

BENNY WAMPLER: Yes.

SUE TAYLOR: Okay. I'm Sue Taylor. I talked to you and you told me 1972 that Pittston gave these mineral rights over to Philadelphia Oil. We were never notified to that effect except lately when I had talked to you. Were we supposed to be notified?

DON HALL: We took a lease from the Pittston Company in '72. At that time, we were Philadelphia Oil. We leased what they owned, which was the oil and gas.

SUE TAYLOR: Uh-huh.

DON HALL: And you all, in this particular case, owned the coal. We didn't...we didn't lease the coal. We only leased the oil and gas.

SUE TAYLOR: Well, we haven't mined the coal either. We did not give anybody permission to mine it. I know that...I believe Mr. Bowman told me that maybe on the 100 acres maybe we were not eligible for the minerals. But in March the 5th of 2004 the law changed when it said "coal" if it had not been mined you were eligible for the minerals. We did not mine it. We did not give anybody permission to mine it.

JIM KAISER: We're not going to mine the coal either.

SUE TAYLOR: Well, I think it has already...I think we know and you know it has already been taken care of.

DON HALL: I really don't have any knowledge of that. That would be coal companies...who owned other properties in the area that you'd have to talk---

SUE TAYLOR: Uh-huh.

JIM KAISER: This is a coalbed methane gas well.

SUE TAYLOR: I've been to Big Stone and they say that they have everybody else's records, but they have lost ours. So, they have not told me on tonnage, but I do have a map on one part that was mined.

DON HALL: Where did you go, Big Stone?

SUE TAYLOR: The Division of Mines down there. Have you acquired these minerals already?

DON HALL: We've acquired the oil and gas from the Pittston Company.

SUE TAYLOR: And when did you do that?

DON HALL: 1972.

SUE TAYLOR: 1972 is when you acquired it. We have a different acreage on a letter, but Mr. Bowman told me that was an error on his part.

DON HALL: Yeah.

SUE TAYLOR: Okay.

DON HALL: On this particular tract that we're talking about here, I believe, if I'm not mistaken is a 100 acre tract in which all own the coal.

SUE TAYLOR: 129.

DON HALL: Well, there's two tracts together.

SUE TAYLOR: Two tracts.

DON HALL: Yeah.

SUE TAYLOR: There was three tracts in all.

DON HALL: But the one that we're talking about in this particular case is the 100 acre tract.

SUE TAYLOR: Uh-huh.

SYBIL BUNDY: We understand there's three options to---.

BENNY WAMPLER: Excuse me. Tell us who you are.

SYBIL BUNDY: I'm Sybil Bundy.

BENNY WAMPLER: Okay.

SYBIL BUNDY: And I understand there's three options to the gas, lease, participate or to be carried. Can you tell me what it means to be carried?

DON HALL: It means if you elect to be...that's through the force pooling process. I mean, once the force pooling process is completed then you'll get an election notice to choose one of those three items. If you elect to be carried, that means that you can make the election to be carried. Once the well is paid out 200%, we testified as to what the AFE is, and that's the estimated cost. Once the well is actually paid out 200%, in other words, if it's \$250,000 it costs to drill the well once it has paid \$500,000 then you can come in...back into the well as it's termed for a full working interest in the well. In other words---

JIM KAISER: You would have...whatever pro-rata share of the unit that you would have that share of eight-eighths after the well has reached 200% of the total actual completed well costs.

SYBIL BUNDY: Let's see, you get what---?

JIM KAISER: You don't have to put any money...you don't have to put any money up---.

SYBIL BUNDY: Right. Okay.

JIM KAISER: ---versus direct participation.

SYBIL BUNDY: Okay. How does the portion that...the total amount of heirs have together, how does that portion change if you leave or participate?

DON HALL: The percentage of ownership that you have wouldn't change.

SYBIL BUNDY: No, I meant...okay. The percent that the company allows the family, which is one-eighth if you lease, is that correct?

JIM KAISER: Correct.

DON HALL: That's correct.

SYBIL BUNDY: All right. Then if you are just carried, is it...what is the percent?

DON HALL: Once it has reached 200% payout it's eight-eighths.

SYBIL BUNDY: Eight...the family would---.

JIM KAISER: Your pro-rata share of eight-eighths.

DON HALL: Yeah, your pro-rata share.

JIM KAISER: So, in this case it would be---.

SYBIL BUNDY: So, you would have eight-eighths after the well was paid for twice---?

JIM KAISER: Right.

DON HALL: Right.

SYBIL BUNDY: ---rather than the one-eighth before?

DON HALL: What is their percentage again?

JIM KAISER: It's a bunch of undivided interest.

SYBIL BUNDY: If you chose to be carried.

BENNY WAMPLER: Each one of them have---.

JIM KAISER: Each one of them has a different interest.

BENNY WAMPLER: ---a different---.

DON HALL: Yeah. And there appears to be---.

JIM KAISER: She's Ms. Bundy. Ms. Bundy, for instance, you would have...once it reached 200% payout, and we'll just use...well, let's say if we're pretty close on the AFE, you're looking at about \$820,000. Once eight-eighths has produced \$820,000 then you would get .093667% of eight-eighths.

DON HALL: You personally would.

JIM KAISER: You personally. That's your pro-rata share of Tract 5.

SYBIL BUNDY: But I was think...I thought it would be easier for us to understand if we understood what the family as a unit would receive.

JIM KAISER: Well, whatever that Tract 5 represents.

DON HALL: 5.62%.

JIM KAISER: 5.62% of eight-eighths.

DON HALL: You would...the family would divide 5.62% of eight-eighths if you collected it back in after 200% payout.

SYBIL BUNDY: All right. How much oil...gas do you anticipate that there might be in this particular place?

DON HALL: Well, I testified that the estimated reserve is 200 million cubic feet.

SYBIL BUNDY: 200 million cubic feet.

DON HALL: Uh-huh.

SYBIL BUNDY: All right. Thank you.

REGINA SMITH: Regina Smith. I just have a few questions. The letter that I received is asking for reacquiring of the oil and gas lease. I guess my question is how was it acquired a year and a half ago? Just for my understanding, the drilling had to start...obviously

started---?

DON HALL: We have another well that we came before the Board sometime back and force pooled the C. B. Musick Heirs and that's probably what you're referring to.

REGINA SMITH: Okay. So, that one was force pooled.

DON HALL: Yes.

REGINA SMITH: Okay.

SUE TAYLOR: And that was how long ago?

DON HALL: That's probably been a year and a half or two years ago.

REGINA SMITH: Okay. And will the royalties...it say one-eighth of the royalty, will that go back to the initial begin or is this just the beginning right now?

DON HALL: It will go back...on the old well?

REGINA SMITH: Yes.

DON HALL: It would go back to the beginning. But you've got to realize and we didn't probably...it wouldn't clear enough when we explained it to Mr. Bundy. But the royalty for that particular piece, it will be put into escrow because Pine Mountain is the oil and gas owner and you all are the coal owner. So, it's a conflicting claim. So, that will have to go into escrow. The only way that would be able to be retrieved from the escrow would be

through a declaratory judgment by the Court or an agreement between you and the oil and gas owner.

REGINA SMITH: Okay.

BENNY WAMPLER: In other words, the gas company is claiming the gas and the coal company...your ownership in the coal claims the gas, then you've got a conflict. That's why we have force pooling provisions. That the companies not be held up from going ahead and drilling, but they have to pay the money into escrow until there is either...as he said, either an agreement between you and the gas company...you as the coal owners and the gas company or a Court order that declares...so far in Virginia there's not a Court order declaring ownership.

REGINA SMITH: Also, has the acreage been defined because the paperwork that I have received there's several discrepancies. One mentions 58.77 and then another paper a 120 acres and then I've heard mentioned a 100 acres.

DON HALL: Well, the 5.87 is the percentage of the tract that's in the drilling unit that we're talking about here today. That's the percent...not acreage, but the---

REGINA SMITH: Percent, okay.

JIM KAISER: So, it's just the northern part of your tract that's in the unit.

REGINA SMITH: Okay. Because this says acres.

DON HALL: That's the percentage of the tract that's in the unit that we're talking about.

REGINA SMITH: Okay. So, it's percentage of acres instead of acres?

DON HALL: Yeah.

REGINA SMITH: Okay.

BENNY WAMPLER: And as I understand it, if you look at the plat...if you have this, this is Tract 5 that's identified here in this...what I would call eastern...south eastern corner.

DON HALL: That's correct.

REGINA SMITH: Thank you.

BENNY WAMPLER: Do you have any other questions?

SUE TAYLOR: Was this published in a paper somewhere today, this meeting?

BENNY WAMPLER: State your name again.

SUE TAYLOR: Sue Taylor.

BENNY WAMPLER: Okay. Answer the question.

SUE TAYLOR: Sorry about that.

BENNY WAMPLER: That's okay.

JIM KAISER: It actually was published twice. My office published it and VGO also publishes it.

SUE TAYLOR: Where?

JIM KAISER: I published in the Bristol Herald

Courier.

SUE TAYLOR: Okay.

JIM KAISER: No, wait a minute. I published in the Coalfield Express.

DON HALL: Progress.

JIM KAISER: Huh?

DON HALL: Coalfield Progress.

JIM KAISER: Coalfield Progress.

BENNY WAMPLER: And, Mr. Wilson, where was the gas and oil---?

BOB WILSON: Our docket was published in the Bristol Herald Courier and the Bluefield Daily too.

BENNY WAMPLER: Any other questions or comments? Board members, do you have any questions or comments of these ladies?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: No. As long as...do you all have any more questions?

SUE TAYLOR: Well, we probably do, Sue Taylor, but I can't think of them right now, maybe later.

DON HALL: We can talk about it later.

SUE TAYLOR: All right. Thank you.

JIM KAISER: All right. We'll be glad to help

you. That being said, we'd ask that the application be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

MARY QUILLEN: 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 Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next is a petition from Equitable Production Company for a modification of the Nora Coalbed Gas Field Rules to allow for drilling of an additional well in unit BU-42, docket number VGOB-89-0216-0009-17. 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 Production Company. We'd again ask that...the

Board's indulgence in continuing this one until November. I should have told you to tie it together with nineteen when we continued that one, but it's the same unit.

BENNY WAMPLER: The same notice issues?

JIM KAISER: Yeah.

BENNY WAMPLER: And you've asked to move twenty-two on down to the end of your---?

JIM KAISER: Yes, sir, to the...I guess it would be all the way back---.

BENNY WAMPLER: After twenty-nine?

JIM KAISER: After forty-one.

BENNY WAMPLER: After forty-one.

JIM KAISER: It probably would be...and actually if you don't mind, it probably might be...if you want to...well, do you want to go with the horizontal and move it until after the disbursements? It doesn't matter. Whatever you all want to do.

BOB WILSON: Mr. Chairman, I think we have several people here who are here for disbursements. So, probably want to get those finished before lunch if we could.

JIM KAISER: Yeah. Do you want to get those and then we'll come back to the horizontal? There's one, two, three---.

BENNY WAMPLER: Okay. So, you're talking about

twenty-two and twenty-three?

JIM KAISER: Yes, sir.

BENNY WAMPLER: Go ahead and move those?

JIM KAISER: Yeah. And then we'll have twenty-four through twenty-nine are disbursements.

BENNY WAMPLER: Okay. I'm going to twenty-four, Board. Are you with me?

(No audible response.)

BENNY WAMPLER: Next is a petition from Equitable Production Company for a disbursement of funds from escrow and authorization for direct payment of royalties on Tract 5, unit VC-504509. This is docket number VGOB-01-1120-0986-02. 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 on behalf of Equitable Production Company.

BENNY WAMPLER: If you will, state your names for the record, please.

CHARLOTTE ROSE: Charlotte Rose.

ROY ROSE: Roy Rose.

BENNY WAMPLER: If I could get you to go ahead and swear them in.

(Charlotte and Roy Rose are duly sworn.)

BENNY WAMPLER: We'll let them go ahead and make a

presentation and then if you have questions we'll make attempts to get those answered. Mr. Kaiser, you may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Yes, Mr. Hall, this one again is a little bit different than the next five or six that the Board is going to see and that I believe there has been a...there wasn't a second force pooling or anything that we changed anybody's interest, but there was a previous disbursement of escrow out of this unit, correct?

A. That's correct.

Q. And that's why when they look at the exhibit that we've prepared in the format that we've worked out with Mr. Wilson's office you'll see two figures rather than one, correct?

A. Yes.

Q. Okay. With that being said, can you explain to the Board, you know, when our...what date this is through, it looks like 7/31/07 in this case, and what all these figures represent?

A. Yes. The top figures in both...this is

just for Tract 5. The top figure, the \$33,000 figure was initially I think the amount that was in escrow and part of that has been disbursed, so that left the bottom figure, which is the \$4,500.41 figure. Then the percent escrow that Pine Mountain and the Roses have is shown as the bottom figure in the owner percent in escrow. These figures were calculated as of July the 31st, again, without penalty or interest

Q. Fees or interest.

A. Fees or interest...yeah, fees or interest.

Q. No penalty.

A. That's fees and interest. But that...those are the hard figures, subjected to fees and interest.

BENNY WAMPLER: And you folks agreed to this number?

ROY ROSE: Sir, we're confused. We have been given one number by Equitable and by Pine Mountain and these numbers do not agree with those numbers, sir.

DON HALL: Do you have what Pine Mountain has given you?

CHARLOTTE ROSE: That's on the second paper. It's on this (inaudible).

DON HALL: This is for well 4509.

CHARLOTTE ROSE: This is first one that went out.

ROY ROSE: Okay, that one is correct, I believe,
sir.

CHARLOTTE ROSE: Yeah.

ROY ROSE: That one is correct.

BENNY WAMPLER: Okay. So, for this one, you do
agree to these numbers?

ROY ROSE: Yes, on that one. Yes, sir.

BENNY WAMPLER: Okay. Do you have anything
further?

JIM KAISER: We'd ask that the money through 7/31
be disbursed as depicted and taken...but you're going to
have to take in account interest and fees and then we'd ask
that the royalty going forward be disbursed in the
percentages as shown to both the Roses and Pine Mountain on
a going forward basis.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

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. This exhibit will be A.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Just for clarification purposes, the percentage to be disbursed to Roy and Charlotte Rose is 10.810 continuing percent and the percentage to be disbursed to Pittston...to Pine Mountain is 3.6368 continuing. Those are the actual percentage that we would be disbursing at this time?

JIM KAISER: Right.

DON HALL: Yeah, since the...since there was a previous disbursement, their percentage is what was left on that.

BENNY WAMPLER: Next is a petition from Equitable Production Company for a disbursement of funds from escrow and authorization for direct payment of royalties on Tract 8, VC-503042, docket number VGOB-04-1214-1373-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

is...it looks like it's actually the same situation. Again, there has been a previous disbursement of escrow from this unit. So, you have two sets of figures to reflect that.

BENNY WAMPLER: I need...Mr. and Mrs. Rose, I need you to state your name again for the record.

CHARLOTTE ROSE: Charlotte Rose.

ROY ROSE: Roy Rose.

BENNY WAMPLER: Thank you. Okay, Mr. Kaiser.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, I'd again ask you to explain our calculations and spreadsheet on disbursement for Tract 8 in this unit.

A. Again, there was a previous disbursement from this well and the top figures, the \$60,000 figure, and both under Pine Mountain and Charlotte Rose were the original escrowed amounts. After the disbursement, the bottom figures are what's currently there. The percent of escrow is the bottom figure in each block there in owner percent of escrow. The amount to be disbursed is in the right-hand column. These figures were again calculated less fees and interest as of July the 31st of '07.

BENNY WAMPLER: Mr. and Mr. Rose, do you agree with this---?

CHARLOTTE ROSE: Yeah, it has been changed.

ROY ROSE: Yes, we do.

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Again, we'd ask that the application for disbursement be approved and that those monies through 7/31 be disbursed in accordance with the spreadsheet less our...not including interest and fees and going forward in the percentages that you see.

BENNY WAMPLER: Again, this would be Exhibit A as an attachment. Is there a motion?

BILL HARRIS: Motion for approval.

BENNY WAMPLER: Is there a second?

PEGGY BARBAR AND MARY QUILLEN: Second.

BENNY WAMPLER: 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 disbursement

of funds from escrow and authorization for direct payment of royalties on Tract 1, unit VC-2846. This is docket number VGOB-93-0316-0343-01. We'd ask the parties that wish to address the Board in this matter to come forward.

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

LORI DEEL: I'm Lori Deel. I come for my father, Howard Presley, which is in here. He's hard of hearing.

BENNY WAMPLER: What was his name again?

LORI DEEL: Howard Presley.

JIM KAISER: Howard...Howard Presley. He's the---

BENNY WAMPLER: If you will, raise your right hand and be sworn.

(Lori Deel is duly sworn.)

BENNY WAMPLER: You may proceed, Mr. Kaiser.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, would you again explain our spreadsheet and what date this was reconciled as of and how we purport...or how we propose to distribute these escrowed royalty funds?

A. This was as of July the 31st, again, without fees and interest. There's no previous disbursements here. So, this is the first disbursement out of this account on a 75/25 split. Mr. Presley will get 50.96% of the this particular...of Tract 1 and his...the amount in escrow is \$30,833. The Pine Mountain figure is \$10,277.85 as shown on the exhibit. Again, these were...this was as of July the 31st.

BENNY WAMPLER: Do you agree with these figures for disbursement?

LORI DEEL: Yes.

BENNY WAMPLER: Do you have anything further?

(No audible response.)

BENNY WAMPLER: We'd ask that the Board approve our application to disburse fees as stated in the Exhibit A and then those percentages going forward.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BENNY WAMPLER: Is there a second?

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. Thank you.

SHARON PIGEON: Ma'am, what was your name again?

LORI DEEL: Lori Deel.

SHARON PIGEON: Lori Deel?

LORI DEEL: Uh-huh.

SHARON PIGEON: Thank you.

BENNY WAMPLER: Next is a petition from Equitable Production Company for a disbursement of funds from escrow and authorization for direct payment of royalties on Tract 2, unit VC-504484. This is docket number VGOB-01-0821-0919-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Now, Mr. Hall, again, if you would explain, in conjunction with Exhibit A to our application, how we propose to disburse the escrowed royalty for Tract 2 in this particular unit.

A. Again, on the 7525...this was calculated as of May the 31st.

Q. 31st. Again, absent interest and fees?

A. Absent interest and fees. This is the amounts that was in escrow that was attributable to the Dotson percentage of interest in this particular tract. This was a number of people owning interest in this tract that Mr. Dotson only owns a portion of the percentage in it, but this is the fees for...the amount in escrow for Mr. Dotson is \$2601 and Pine Mountain is \$87.

BENNY WAMPLER: Do you know whether or not Mr. Dotson is in agreement with this number?

JIM KAISER: I don't.

JIM KAISER: He was notified.

BENNY WAMPLER: Questions from members of the Board?

KATIE DYE: Mr. Chairman, I have a question---

BENNY WAMPLER: Mrs. Dye.

KATIE DYE: ---regarding this letter here. It mentions a Ronnie Dotson and Welford Dotson, but there's no signature for a Ronnie Dotson.

JIM KAISER: I don't think I see that name.

DON HALL: What was the name...the other name?

JIM KAISER: Ronnie.

KATIE DYE: It's in the letter dated April the 26th, 2007 from Pine Mountain Oil and Gas.

DON HALL: Oh.

PHIL HORN: That's, obviously, a typo.

JIM KAISER: Mr. Horn, can you come down and we'll call you as a witness?

BENNY WAMPLER: I need to get you sworn.

(Phil Horn is duly sworn.)

PHIL HORN: It's obviously a typo. I just noticed it. I didn't...I don't know. There must have been another letter we were using and didn't change something.

JIM KAISER: Cut and paste, but that didn't get cut.

PHIL HORN: Probably.

DON HALL: It can happen.

BENNY WAMPLER: And for clarification, this only deals with Welford Dotson?

PHIL HORN: Yes.

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 to disburse be approved as submitted with disbursement to take place in accordance with Exhibit A remembering again that these figures are absent interest and fees.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Can I ask just a quick question?

BENNY WAMPLER: Sure.

BILL HARRIS: I notice the date on this handout was 5/31/07.

PHIL HORN: Right.

BILL HARRIS: Are these updated a little more frequently than that? I guess, I'm...you know, the others were in July. This is back in May.

DON HALL: Evidently, we started working on this one earlier. My understanding is that we needed to...at some point in time, determine that what we've put in and what the bank has is the same amount. If we wait right until---

BILL HARRIS: It's the same. And then from the---

.
DON HALL: ---yesterday, it's going to be different. So, we---

BILL HARRIS: So, at this point, they were the same?

DON HALL: At that point, they were the same, yes.

BENNY WAMPLER: And then they pay out from that day forward by the percentages.

BILL HARRIS: Right.

DON HALL: Yeah.

JIM KAISER: Yeah, the key figure is...Mr. Wilson has finally gotten through to me is the percentage that each individual owner has is the total escrow of the unit. I think we've finally got a pretty good system down here because we're going to be seeing a lot of these things.

BILL HARRIS: But at some point we have to certify that the balances are the same and that's---

JIM KAISER: Yeah.

DON HALL: That's what we've got to do.

JIM KAISER: Yeah, yeah.

BILL HARRIS: It just varies---

JIM KAISER: We're picking a date certain and it will depend on they started working on it probably.

BILL HARRIS: Yeah, okay. All right, thank you.

DON HALL: And once the order is issued, I guess, whatever is in the account at that time will be disbursed, which would be obviously more than this.

BILL HARRIS: According to that percentage?

JIM KAISER: Yeah.

DON HALL: Yeah.

BENNY WAMPLER: All of it will be disbursed by that percentage and then from that forward they will pay out directly by the percentage.

BILL HARRIS: Uh-huh. Yeah, okay. I understand. Thank you.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: Mr. Harris just mentioned the date is 5/31 and mine is 5/30. Which is correct?

DON HALL: Well, actually, I've noticed there's two dated on there. One says 5/31 and one says 5/30. If you look at the total net escrow interest it says 5/31.

MARY QUILLEN: Right.

DON HALL: Again, that's probably a typo. There is 30...there is 31 days in May, isn't there?

JIM KAISER: Yeah.

DON HALL: Yeah.

MARY QUILLEN: Right. Uh-huh. So, it should be 31?

DON HALL: Yeah, that should be 31.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BILL HARRIS: I move to approve with the corrections stated earlier.

BENNY WAMPLER: Here, again, that's attachment A.

JIM KAISER: Yes.

BILL HARRIS: So, with the corrections stated on attachment A.

BENNY WAMPLER: Is there a second?

MARY QUILLEN: Second.

BENNY WAMPLER: 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 disbursement of funds from escrow and authorization for direct payment of royalties on Tract 3, unit VC-504248. This is docket number VGOB-04-1116-1363-01. We'd ask the parties that wish to

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

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

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, if you could, again, explain what our Exhibit A shows and what our plan for disbursement is through that exhibit.

A. Again, this shows a 75/25 split with Pine Mountain. Evidently, she didn't put a date on this one...when this one was prepared.

Q. I've got 5/31 on mine.

A. Okay.

Q. So, we're going to go with 5/31.

A. Okay.

Q. Do you want to say that?

A. Right. As of 5/31 then, this is what the bank and our accounts balanced, \$3938.87 and the split

between the Dotsons and Pine Mountain allow. The amount in escrow for the Dotson is \$295.42. Pine Mountain's interest is 98.47. I believe, if I recall correctly, at the time this well was drilled Ms. Dotson was still alive. So, she was listed in the exhibit. I think the one that we just did previously. She has since passed. So, we can list her name in the exhibit. But they are leased. They were not force pooled. But that's the...that's the split on this particular tract within the unit for this well.

BENNY WAMPLER: Here, again, this one had Ronnie and Welford Dotson.

DON HALL: In the letter?

BENNY WAMPLER: Another...that was a typo, is that correct?

JIM KAISER: Mr. Horn, would that, again, be a typo? Yes?

DON HALL: Yes.

SHARON PIGEON: Ask Mr. Horn to respond...speak.

DON HALL: It can't pick up your nod.

JIM KAISER: Yeah.

BENNY WAMPLER: And you were previously sworn.

PHIL HORN: The same letter with all three wells, I believe. Is that right? One letter and it had all three wells on it.

DON HALL: Yes, it does.

JIM KAISER: Yeah, it does. So, it's the same
typo.

PHIL HORN: Yes, it's a typo.

JIM KAISER: So, Ronnie Dotson shouldn't have been
in there?

PHIL HORN: That's correct, yeah.

JIM KAISER: Okay.

PHIL HORN: I don't know---.

JIM KAISER: How that happen.

BENNY WAMPLER: And Elma Atkins Dotson was the
deceased wife of Welford Dotson, is that---?

DON HALL: Yes.

PHIL HORN: I'm not...I'm not aware of that.

JIM KAISER: Don, is that your testimony?

DON HALL: That's what I'm saying.

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the petition for
disbursement be approved in accordance with out Exhibit A,
again, absent interest and the fee through 5/31/07.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

DONNIE RATLIFF: 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: Yes. Oppose, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 3, unit VC-505241, docket number VGOB-04-0817-1325-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable Production. I don't guess we'll need Phil Horn this time. It's the same letter.

PHIL HORN: The same letter...the same letter.

BENNY WAMPLER: The same typo.

(Off record discussion.)

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, again, explain in conjunction with our petition for disbursement this escrowed royalty and our Exhibit A how we're proposing this be distributed.

A. Again, the same parties that we just covered in the last two hearings. These figures were through 5/31/07. I banked a balance and Equitable balance is the same at that point in time. The distribution as in the next to the last column, owner percent of escrow. The owner's amount to be...the Dotson's amount to be received is \$406.92 and Pine Mountain's portion is \$135.64.

Q. And, again, that's absent interest and fees?

A. That's correct.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: Well, this is the last one for this month, I would like to say that we appreciate the help that Mr. Wilson provided to both Don and I and our Equitable's people in Pittsburgh. We were struggling with these over the last few months. Now, I think we've got a pretty good system set up. So, we appreciate his help. That being said, we'll ask that this be approved as submitted and

disbursement be in accordance with Exhibit A.

PEGGY BARBAR: Motion to approve.

BENNY WAMPLER: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor---.

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

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

MARY QUILLEN: You had mentioned that Ms. Dotson had passed away. Do you know what date that was?

DON HALL: No, I don't really. Mr. and Mrs. Dotson leased to us and this...I mean, this is not part of the force pooling.

MARY QUILLEN: Part of the lease.

DON HALL: It's...you know, the---.

MARY QUILLEN: But they were---.

DON HALL: When she passed away, that would have been handled through out lease administration group.

JIM KAISER: So, it wouldn't be a title question.

DON HALL: Right.

MARY QUILLEN: So, it wouldn't be---.

DON HALL: No. Right.

JIM KAISER: Right.

MARY QUILLEN: That was just my question since his name was the only name that was notarized.

DON HALL: Yeah.

BENNY WAMPLER: I have a motion and a 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.

DON HALL: Thank you all.

BENNY WAMPLER: Now, do we want to get twenty-two and twenty-three or go on to thirty? Are your people here?

JIM KAISER: Yeah. Well, twenty-three is here.

BENNY WAMPLER: Okay.

JIM KAISER: Twenty-two is still not here, right?

(No audible response.)

JIM KAISER: Twenty-two we'll probably hold until after is that's all right.

BENNY WAMPLER: Okay, we'll go back to twenty-three. That's a petition from Equitable Production Company

for establishment of a 320 acre conventional units for drilling of horizontal wells, docket number VGOB-07-1016-2053. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Now, Mr. Chairman and Board members, this will be Jim Kaiser and Craig Eckert on behalf of Equitable Production Company and also Ms. Rita Barrett on behalf of Equitable Production Company.

BENNY WAMPLER: Okay. We need to get you both sworn.

(Rita Barrett and Craig Eckert is duly sworn.)

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

JIM KAISER: This is a application to form a 320 acre provisional unit for the purposes of drilling horizontal conventional gas wells. Now, Equitable did one last month and Pine Mountain did one last month, but Ms. Quillen and Mr. Harris and Mr. Ratliff were not present in that hearing. So, you know, we're going to go through it in its complete entirety again and, you know, obviously, you may have some questions. We're going to start with Ms. Barrett. This particular proposed provisional unit contains one, two, three, four tracts. Four of them owned by Penn Virginia Oil and Gas Corporation and one owned by Turkey Gap

Coal Company, which is actually owned by Jack Kennedy who is the Clerk in Wise County.

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, would it be your testimony that all four tracts, all 320 acres, are under voluntary lease to Equitable Production Company?

A. Yes, they are.

BENNY WAMPLER: Tell us what she does.

Q. I'm sorry. If you could tell what your job is and what your responsibilities are?

A. I'm a landman three for Equitable Production. I've been in the industry for seventeen years. My responsibilities are all land functions.

JIM KAISER: And that's really the only question I have of Ms. Barrett.

BENNY WAMPLER: Okay.

JIM KAISER: Thank you.

BENNY WAMPLER: Call your next witness.

JIM KAISER: Mr. Eckert will be our next witness.

CRAIG ECKERT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Craig, if you could again for the folks...for the benefit of the folks who weren't here last month, go through just a little bit of your professional background and history.

A. I'm a geologist with Equitable Production and I've been in the industry...the oil and gas industry for roughly thirty years. My experience includes working with companies such as Consolidated Gas, Meridian Exploration and several other smaller companies and also Ashland Exploration. I've been a geologist in the Appalachian Basin. I've worked areas in West Africa and in the Canada Maritimes.

Q. We have...you have a packet of information that they all have, correct?

A. Yes.

Q. Sort of a power point slide without the power point and then do you want to go ahead and put that up that up too.

A. Yeah. The first two...the first two slides in your handouts are also the same as these. The purpose of...the purpose of this illustration here is to show a comparison between horizontal drilling and vertical drilling. Just about all of the drilling that we do for natural gas in that area of this Appalachian Basin area is from vertical wells. This is an example of a vertical well where we'll drill through reservoirs. As you can see, the well bore intercepts the producing formation perpendicularly. We stimulate the reservoir with hydraulic fracturing to enhance the productivity of that formation.

The other type of drilling that can be done is horizontal drilling. This next well schematic here shows the well path for a typical horizontal well. As you can see, it approaches the producing formation at an angle as the well bore curves and that eventually will go horizontal relatively parallel to that producing formation. The reason we do this is because we're able to expose a lot more of that particular reservoir to the well bore with a horizontal well than we can do with a vertical well.

BENNY WAMPLER: That's a blow up of Exhibit A, what I'm going to call Exhibit A for you---.

JIM KAISER: Yes.

CRAIG ECKERT: Yes.

BENNY WAMPLER: ---as we go through here.

JIM KAISER: Yeah, we'll just letter them going forward.

BENNY WAMPLER: Right.

A. And then this next schematic diagram here---

BENNY WAMPLER: That will be B.

A. This will Exhibit B. ---shows a typical horizontal well plan showing that, you know, that we will still case off the fresh water as per the regulations and we will also case off the coal bearing section as per Oil and Gas Regulations. Then, typically, we'll plan to set are casing down through the Berea or in the other nearby producing formations and then at that point begin to drill with no nose to the curve. That curve eventually will enter the producing horizon and go horizontal for approximately 4,000 feet. Again, this is not to scale, but it's just a schematic showing the idea of the well plan for drilling a typical horizontal well.

BILL HARRIS: Can I ask just a quick question?

A. Sure.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: When you "producing horizon" are you

using that in the literal sense of horizon being like the horizon? I'm not...I just wondered about that---.

A. Oh, no, no.

BILL HARRIS: ---language.

A. No, sir. I apologize for using that term.

BILL HARRIS: Yeah.

A. When we say "producing horizon", what we mean is a producing interval such as the Berea Sandstone or the Devonian Shale---.

BILL HARRIS: Oh, oh, okay.

A. ---or the---.

BILL HARRIS: So, that's like the target---.

JIM KAISER: Formation.

A. It's the target formation.

BILL HARRIS: Horizon...okay, okay, thank you.

A. Yes, the producing formation.

BENNY WAMPLER: The zone that contains the gas that they're targeting.

BILL HARRIS: Yeah. I just wasn't sure about the word "horizon" that's all, but thank you.

A. Yes. Thank you. Thank you.

MARY QUILLEN: I have one question. Does the---?

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---the horizontal well allow you to

go into much deeper seams than the horizontal---.

A. Well, they allow us to---.

MARY QUILLEN: ---or the vertical one---.

A. And I'll go over some of these points as we go along. But what it does allow us to do...not necessarily deeper horizons, but it does allow us to go into parts of the formation that could be beneath surface inaccessible areas. Okay. All right. Then, I would like to just go over some...some of the horizontal proposals, the points that I have in the next exhibit.

BENNY WAMPLER: C.

A. Okay. Our proposal is to construct 320 acre square units of which their dimensions would be 3733 feet by 3733 feet square, which would gives us a one mile long 5280 foot diagonal. The horizontal units, in the case of the first two, last months and this months, that we're proposing could overlay the already established 80 acre Roaring Fork CBM grids. Now, we are talking about...in this proposal, we're talking about horizontal wells. But the grids themselves that we're speaking of overlaying are actually 80 acre CBM grids. Item C is a 300 foot interior window within...I'm sorry, with 600 foot standoff from adjacent grid horizontal well bores. So, essentially, we would have to keep that horizontal portion of the hole

within 300 feet of the outside of the unit. This is similar to the existing vertical CBM grids where we have a 300 foot interior window established also.

Q. And the conventional grids---

A. And some of the conventional grids.

Q. ---such as Pilgrims Knob and Abb's Valley.

A. D, should be able to drill surface location outside of the unit so long as production comes from within the unit. This...we'll explain this in a little bit more detail when we go to the individual illustrations that explain these graphically. Allow for multiple wells in and/or laterals for maximum drainage. I'm sorry, I missed one. A minimum of 600 foot distance between horizontal well bore and any vertical well producing from that horizon. Then, G, in some cases, two or more wells may be able to use the same pad due to terrain restrictions.

BENNY WAMPLER: Excuse me just one second. Just for people---

MARY QUILLEN: I have a---

BENNY WAMPLER: I'm sorry, Ms. Quillen, I'll get back to you. But if people are here with other items on the agenda, we're going to take a break from approximately 12:00 to 1:00 if that lets you make a plan rather than sit here. That's just to make you aware of that. As soon as we finish

this case. Continue. Ms. Quillen, you had a question, I'm sorry, Exhibit C.

MARY QUILLEN: No. This area, this Roaring Fork area, are there vertical wells in the...that are already drilled?

CRAIG ECKERT: Yes.

MARY QUILLEN: And who is the producer? Is it Equitable?

CRAIG ECKERT: Yes.

MARY QUILLEN: Is producing from those wells?

CRAIG ECKERT: Yes. Uh-huh. The next illustration is a graphical representation of point A in the proposal. It just shows the dimensions of the proposed unit, which would be again 3733 by 3733 feet on a square and the diagonal distance being 5,280 feet.

BENNY WAMPLER: That's Exhibit D that he's referring to.

CRAIG ECKERT: And then the next illustration shows how a unit should be large enough to allow for changing orientations based on geology and direction for pressure trends. The case that I showed here is an example of what we might have a shallow sandstone porosity trend, for example, the Raven Cliff Sand Channel as shown the left and we would like to be able to drill horizontal wells that

would follow the porosity trend in that sand. Since geology changes and we can't predict where it might be, we need to be able to have the flexibility to drill these horizontal wells within a given 320 acre unit following those porosity trends to maximize the productivity of that particular producing reservoir in that unit.

BENNY WAMPLER: That's Exhibit E.

CRAIG ECKERT: And then to the right, at the same time, within this same grid, we may have another reservoir such as the Devonian Shell whose optimum direction for drilling horizontal wells could be oriented differently. So, we need...we want to be able to be able to make allowances for that as well so that we could have the maximum production from the Devonian Shell and the maximum production from a Sandstone Reservoir in the same unit.

BENNY WAMPLER: In the same unit, but a different zone.

CRAIG ECKERT: But different zones, uh-huh.

MARY QUILLEN: So, your direction will be dictated by whatever the geology---?

CRAIG ECKERT: Exactly. Exactly. And a 3---.

MARY QUILLEN: And---.

CRAIG ECKERT: I'm sorry, go ahead.

MARY QUILLEN: And what difference would that make

as far as this Board's approval of doing this? Would this---?

CRAIG ECKERT: Well, we want to just present to you the consider---.

MARY QUILLEN: Just want us to know that there will be different---?

CRAIG ECKERT: That there---.

MARY QUILLEN: ---configuration as far as the drilling?

CRAIG ECKERT: Yes. I think in this case we want...we want to emphasize the reason for having such a large unit because we need to have the flexibility for variations in well bore direction and distance.

MARY QUILLEN: But still keeping within that window that you have described?

CRAIG ECKERT: Yes, yes.

BILL HARRIS: Mr. Chairman, just a quick question about costs.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Is there a significant difference in the costs in these two...will we expect to see that in the AFEs?

CRAIG ECKERT: You will. Yes, there is a significant increase in the costs for horizontal versus a

vertical.

BILL HARRIS: Now, now...yes, I understand that.

CRAIG ECKERT: Oh, okay.

JIM KAISER: But you'll only see an AFE if we have to force pool the unit.

BILL HARRIS: No, no, no, I'm sorry, I misstated the question. Between these two models that you show, one for the Raven...the Sand Channel, for instance, versus---

CRAIG ECKERT: Yes.

BILL HARRIS: ---Devonian, which...you know, one is relatively straight and the other has some ablations and---

CRAIG ECKERT: Oh, okay.

BILL HARRIS: ---would we see a cost difference in those two models?

CRAIG ECKERT: I don't think so. I mean, in general they would be about the same.

BILL HARRIS: So, it's more distance that you drill and depth---

CRAIG ECKERT: Yeah, it has more to do with the total length of the well bore itself.

BILL HARRIS: Okay, of the line. Yeah, okay.

CRAIG ECKERT: And steering...I didn't mean to exaggerate that with my curvy line too much, but in some

cases we might have to steer it, you know, to the east or west to some extent to stay within what we would feel---

BILL HARRIS: Because you would follow that channel.

A. ---as the trend. Exactly.

BILL HARRIS: Yeah, okay. Okay, thank you.

CRAIG ECKERT: Oh, you're welcome. And then the next schematic shows how variations in terrain, geology and reservoir type may dictate both the number of wells and laterals in a given unit and this is essentially part of what we described in the last one, but also showing that, you know, terrain restrictions, you know, may cause us to have to start in one area or another. We're just trying to bring up all the possible cases that could occur that will dictate where the well bore would be located in a particular unit.

BENNY WAMPLER: That's Exhibit F. You have one of them showing...both of those actually are almost outside the window...so called window here.

CRAIG ECKERT: Well, the surface location may begin outside of the window, but the lateral that is within the producing formation would have to begin within that 300 foot interior window. I believe that is addressed in another one of---

JIM KAISER: Well, it will actually have to end within the 300 foot window.

CRAIG ECKERT: And will have to also end within the extent of that 300 foot interior window. But let me address that, if you don't mind, in a little bit.

BENNY WAMPLER: If you will, keep up with the exhibits. That was F.

JIM KAISER: That was F.

BENNY WAMPLER: So, you'll be going to G.

JIM KAISER: G. I'll help you with that.

PEGGY BARBAR: Mr. Chairman, may I ask for a clarification.

BENNY WAMPLER: Sure. Mr. Barbar.

PEGGY BARBAR: We you use the term "80 acre unit", are we going to use the same term for the 320 acre and just call it a unit as well.

BENNY WAMPLER: That's what they're asking for that we approve these as---.

PEGGY BARBAR: But is that the terminology that we're going to follow through this to---?

BENNY WAMPLER: Yes, it would be. If we approve that, it would be establishing a conventional unit.

CRAIG ECKERT: Next, the horizontal units could overlay establishing 80 acre Roaring Fork CBM grid. Again,

we spoke of that earlier. In the case of where our first two requests for provisional units are located, there does happen to be an existing 80 acre CBM grid in place.

JIM KAISER: That may not be the gas all the time.

MARY QUILLEN: So---?

JIM KAISER: Then you just survey it.

MARY QUILLEN: ---was it...was designated as a 20 acre or 320 acre then it would be designated as 320 and no longer will exist in an 80 acre?

JIM KAISER: No, it would be two different things.

CRAIG ECKERT: No.

JIM KAISER: You would have your 80 acre Roaring Fork CBM units---.

MARY QUILLEN: Okay.

JIM KAISER: ---that are established by field rules.

MARY QUILLEN: So, you could still---.

JIM KAISER: You could still drill CBM wells within those 80 acre CBM units.

BENNY WAMPLER: Just like a layering system.

JIM KAISER: Yes.

BENNY WAMPLER: One is for one purpose and this would be for another purpose.

BILL HARRIS: Conventional, I guess, yeah.

MARY QUILLEN: So, 320 would be---

JIM KAISER: I mean, if this is successful---

MARY QUILLEN: ---conventional and---

CRAIG ECKERT: 320 acres is for conventional only.

MARY QUILLEN: ---the 80 acre is for---

JIM KAISER: It's a conventional horizontal---

MARY QUILLEN: ---CBM, okay.

JIM KAISER: ---right, CBM.

CRAIG ECKERT: CBM only. Exactly.

MARY QUILLEN: Okay.

JIM KAISER: And the 320 is actually a provisional. Once we get three, four or five of these drilled it will be our charge to come back to the Board and present the data that we have and say this is either the right size or it needs to be bigger or it needs to be smaller.

BILL HARRIS: But your testimony just a minute ago is even though in...I guess this is Exhibit G. Even though it shows basically the 320 acres dropped on top of four 80 acre units and aligned with those alignments, you're saying that in the future that may not be the case?

JIM KAISER: Well, if we get outside of Roaring Fork where we don't have an established grid.

BILL HARRIS: Oh, okay. Where the...okay.

CRAIG ECKERT: Right.

JIM KAISER: For instance, like what Pine Mountain did and what Chesapeake is going to do later today.

CRAIG ECKERT: I don't...I don't think that---.

JIM KAISER: It just worked out.

CRAIG ECKERT: Right. And in addition to that, I would just like to say, I don't think that we want...I don't think that we're going to come back to the Board and say that 320 isn't the right size because we already know that it's much larger than is required for one single well, but it gives us the flexibility to drill multiple well bores within a unit and everyone within that unit then gets paid for any production that comes from within that unit whether it's one well or three wells.

Okay, the next item, 300 foot interior window with 600 foot standout from adjacent grid horizontal well bores. Essentially, what this saying is that where we end that lateral or any point along that lateral we could not come any closer than 600 feet from the adjacent grids horizontal laterals. So, it would always keep the horizontal wells at least 600 feet from one another from adjacent grids. Now, drilling in the same grid that may not be the case because, again, we're trying...we're going to try to most efficiently drain the natural gas from each reservoir as efficiently as

we can on a unit by unit basis.

BENNY WAMPLER: That was H. We're going to I.

CRAIG ECKERT: We should be able to drill the surface location outside of the units so long as production comes from within the unit. This is important because we will have areas where the most suitable location for the surface location of the well might actually fall outside of the unit, but all of the productions from that horizontal will have to occur within that 300 foot interior window.

If you go to the next schematic, which would be J, this shows a side view of that same point where we're starting outside of the unit but we don't actually intercept the producing interval until we fall within the 300 foot window.

BILL HARRIS: Let me just ask a quick question for clarification. So, the units outside...it's just dawned on me that this curvature if you were to drill everything inside the unit potentially the curvature you would start producing...you would be a third of the way...well, you'd only have two-thirds of the unit to actually get production from that. So, this is why you would have...it would be more efficient---.

CRAIG ECKERT: That's exactly...that's exactly right.

BILL HARRIS: ---...in terms of recovery it would be more efficient to have that outside---

CRAIG ECKERT: It would be. It would be.

BILL HARRIS: Yeah, okay.

CRAIG ECKERT: Yeah. And we will be proposing both some inside and some outside surface locations as we go forward, right.

BILL HARRIS: Thank you.

CRAIG ECKERT: Coincidentally, the one that we are going to be presenting today does have a surface location that begins outside of the proposed unit. A minimum of 600 foot distance between horizontal well bore and any vertical well producing from that horizon such as a case where we have a vertical well that's producing from the Devonian Shell. Our horizontal lateral to be drilled within that grid would also be producing from the Devonian Shell. What we're saying is we would want to stay at least 600 feet away from that existing Devonian Shell producing bore hole.

BENNY WAMPLER: That's Exhibit K.

CRAIG ECKERT: And allow for...the next one is to allow for multiple wells and/or laterals for maximum drainage. I think I stated earlier that in some cases it might be the most efficient way of producing from a grid to drill multiple bore holes, for example, into the Devonian

Shell or into the Berea Sandstone. Within a 320 acre square, we would have the flexibility to go in multiple directions from a given starting point at the surface.

BILL HARRIS: A question again. I'm sorry to be the one that's asking so many questions.

CRAIG ECKERT: No, that's good.

BILL HARRIS: At one time, and I don't know it was your company or not, but we looked at a plan which started out vertically and went horizontally and then it actually branched, in other words, it was like it was drilled into the horizon, in this case, backed up and then actually changed directions. So, we had like...almost like a cascade area.

CRAIG ECKERT: Right. That was...that was Equitable at about...in 2003 when we proposed---

BILL HARRIS: Yeah.

CRAIG ECKERT: ---a horizontal well into the Pocahontas Number Six Coal.

BILL HARRIS: Uh-huh. Yeah.

JIM KAISER: So, they were horizontal CBM wells.

CRAIG ECKERT: It was a CBM well.

BILL HARRIS: Okay. Now, but see that...when you tell me that that really doesn't trigger anything.

JIM KAISER: Well, the bore would actually be in a

coal seam versus a sand or shell.

BILL HARRIS: Okay.

JIM KAISER: Conventional gas versus coalbed methane gas.

BILL HARRIS: So, that would be easier to...I'm just wondering why...why we don't have that same kind of---

JIM KAISER: Why you don't have the pennate technology?

BILL HARRIS: Is that what it's called? I guess. Okay.

JIM KAISER: Yeah.

CRAIG ECKERT: Yeah. Well, there are some patent issues with a certain pennate drilling---

BILL HARRIS: Yes.

CRAIG ECKERT: ---in the industry. What we have proposed was a variation on that. It is possible to also do that in conventional reservoirs. But what our company has found to be very successful thus far in the Devonian Shell is drilling a single lateral for each surface location. Now, sometimes if we want to drill multiple laterals within a given area, we'll have a location for one well that's maybe 50 feet away from a location from another well. So, from a practical standpoint, it's almost as if we have one surface location in terms of surface disturbance,

infrastructure---.

BILL HARRIS: Yeah.

CRAIG ECKERT: ---and---.

JIM KAISER: Just putting a bunch straws in it.

CRAIG ECKERT: Yeah.

BILL HARRIS: But multiple---.

CRAIG ECKERT: But multiple laterals, maybe in two or three directions.

BILL HARRIS: Yeah. That's shown in...is this L now, Mr. Chairman.

JIM KAISER: L.

BENNY WAMPLER: Yes.

BILL HARRIS: Yeah. So, yeah...okay, okay. Thank you.

BENNY WAMPLER: You know, it appears to me that...and, of course, I know that, you know, you obviously have to be conscious of the economics of all of this. It appears to me that when you take this concept and you start talking about multiple wells with the concept you start going on a diminishing return here. Why would you...why would you seek to put in multiple wells in this scenario?

CRAIG ECKERT: Well, if---.

BENNY WAMPLER: I mean, it's almost like you're proposing it in every unit, for example, and I don't

understand how that part would be economical particularly if I was participating.

CRAIG ECKERT: If...okay. If we're...if we're looking at the Devonian Shell, for example,---.

BENNY WAMPLER: Right.

CRAIG ECKERT: ---what were finding in Kentucky is that our horizontal well bores...our horizontal well bores that are drilled parallel to one another can be as close as a 1,000 feet apart and then they're about 4,000 feet long and they're still productive and that's what we feel approximately the drainage area for those laterals will be. So, if you look at the dimensions of one of our units that we're proposing, and again back to...let's see, this is one of the first...this would be D. If you look at the dimensions of this, you can see that we're, you know, approximately 3700 X 3700 and if we're saying that for the...you know, for the sake of comparison to our Kentucky drilling operations, and we're drilled fifty or sixty of those already and generally had pretty good success with that spacing, if you overlay that spacing in these units, you know, you can get three or four wells in a unit...well, three wells in a unit at that spacing.

BENNY WAMPLER: But you're going to be fracing these--.

JIM KAISER: Three or four bores.

CRAIG ECKERT: Three or four---.

BENNY WAMPLER: Bores.

CRAIG ECKERT: ---horizontal well bores---.

BENNY WAMPLER: Right.

CRAIG ECKERT: ---parallel to one another in just
the Devonian Shell.

BENNY WAMPLER: Right. But then you frac within
that, right---?

CRAIG ECKERT: We do.

BENNY WAMPLER: ---all up and down that line?

CRAIG ECKERT: We do. Yes.

BENNY WAMPLER: And that extends...that frac is
approximately what, 700 to 1200 feet?

CRAIG ECKERT: Right. I don't want to really
testify in that because I don't know that I can answer it
accurately.

BENNY WAMPLER: Right.

CRAIG ECKERT: But, yeah, maybe 500, 600 or 700
feet. Yeah.

BENNY WAMPLER: Okay. Go ahead.

CRAIG ECKERT: Uh-huh. Let's see, we---.

BENNY WAMPLER: You're on M.

JIM KAISER: M.

CRAIG ECKERT: Okay, the next one would be showing how we would like to be able to allow for multiple wells and/or laterals for maximum drainage. Again, this is if we were to have several reservoirs, several conventional reservoirs that are productive in a given area. This would allow us to set up multiple surface locations and drill horizontals to access each one of those producing intervals such as the Raven Cliff or the Berea or the Devonian Shell.

The next, in some cases, two or more wells may be able to use the same pad due to terrain restrictions. This is, you know, in an attempt to minimize surface disturbance. In some cases, we could set up a surface location where we have one lateral...I'm sorry, one horizontal well that's going in one direction into a unit and another well bore that's going in another direction draining another unit and the production from one, obviously, would be separated from the production of the other and allocated to the respective units.

BENNY WAMPLER: That's Exhibit N and your last one is O.

CRAIG ECKERT: And then, finally, the last in the series, this shows, I guess, it's the first eight units that we're working on in our Roaring fork field. Last month we had presented number one. This month what we're proposing

is unit number five at the center on the bottom.

BENNY WAMPLER: Who is below you? Who is straight...who is south of five, ownership?

CRAIG ECKERT: Equitable still controls that acreage. I just...I don't have that shown on this map.

BENNY WAMPLER: All the way around. To extend my question---?

CRAIG ECKERT: Yes.

BENNY WAMPLER: ---all the way around to all of the numbers here?

CRAIG ECKERT: Yes.

BENNY WAMPLER: Okay.

CRAIG ECKERT: We control about...well, we control all of the acreage in this particular area. So, the final...I guess, the final---.

JIM KAISER: The added exhibit.

CRAIG ECKERT: Yeah, the final added exhibit would be showing this particular unit that we're proposing today to be granted as a provisional horizontal unit.

BENNY WAMPLER: This will be Exhibit P.

CRAIG ECKERT: P. And the drawing that you have just shows both...this is the colored additional slide that you have. But the drawing just shows two maps showing the location of the surface as well as the lateral extent of

that bore hole. Again, what's not obvious on this because it's a map view and not plain view is that we will not be intercepting our target horizon until we are within that 300 foot interior window.

BENNY WAMPLER: Questions from members of the Board?

DONNIE RATLIFF: Mr. Chairman.

BENNY WAMPLER: Mr. Ratliff.

DONNIE RATLIFF: Go back to Exhibit B, without a legend. Are you showing...is this the symbol for a casing?

CRAIG ECKERT: Yes. That's the symbol for the casing.

DONNIE RATLIFF: So, you're casing all the way down through the Berea seam, right? You're casing off the coal seam?

CRAIG ECKERT: In this...yeah, in this schematic we are casing off the water with our twelve and three-quarter inch and then we're casing off the coals with our nine and five-eighths inch casing and then we're casing down through the Berea, assuming that the Berea in this area is a productive interval.

DONNIE RATLIFF: So, if you were going to have a horizontal well going out into the Berea you would stop the casing, of course?

CRAIG ECKERT: Yes.

DONNIE RATLIFF: The fracing would not be anywhere except on the horizontal plain?

CRAIG ECKERT: That's correct. And we have...I didn't want to go into this degree of detail, but we have a system of running casing inside of that curve and then setting a series of packers that isolates the zones so that any fracing that we do within that zone does not communicate up hole into the bore hole.

DONNIE RATLIFF: If I may, Mr. Chairman.

BENNY WAMPLER: Yes.

DONNIE RATLIFF: On...on Exhibit P, this last one, you're not only showing the well hole outside the drilling window, you're showing it outside the 320 acre unit?

CRAIG ECKERT: That's correct. And the reason for that is there is an existing vertical well at that location that we would like to make use of that...either that location or something very near to that location for which we already have roads established in this area so that we can minimize the amount of disturbance on this first well and also maximize the lateral extent of that well bore through the producing interval, which in this case is the Devonian Shell.

BENNY WAMPLER: Other questions from members of

the Board?

BILL HARRIS: Mr. Chairman---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---one quick...in your experience in Kentucky, how do the...what differences have you observed or what increase in production? I know in theory it looks like there is more of the same exposed to the well bore. So, to me in theory, that ought to produce more efficiently or at least get a greater production. What experience do you have in comparing these to the typical vertical well?

CRAIG ECKERT: Well, there has been a tremendous variation in results. In some cases, because we are intercepting fracture systems, natural fracture systems within the Devonian Shell perpendicularly, so we can intercept a whole lot more of those with a horizontal well. In many cases, those natural fractures are gas filled. We will see natural flows of gas into the bore hole.

BILL HARRIS: Yeah, so if you did a vertical, you wouldn't encounter those or would not...certainly not to the extent of exposure?

CRAIG ECKERT: That's exactly right. And then in terms of completion, we have a much...a much more exposed section of the Devonian Shell in that case that we can harder fracture than we would with a vertical well where

we're only exposing ourselves to whatever that---

BILL HARRIS: Basically the thickness of the---

CRAIG ECKERT: ---thickness of the interval is.

BILL HARRIS: Yeah. So...but you couldn't give
like, you know there is a 25% increase in production from
the unit
or---

CRAIG ECKERT: I don't that---

BILL HARRIS: ---30---

CRAIG ECKERT: I certainly don't have...I'm not
prepared to answer that with anything quantitative. I mean,
certainly, it's a much larger number, but I don't...I don't
pretend to know the magnitude of that.

BILL HARRIS: Yeah, okay. I appreciate your
answer. Thank you, Mr. Chairman.

BENNY WAMPLER: Other questions from members of
the Board?

DONNIE RATLIFF: Mr. Chairman. Will you still
have
to---

BENNY WAMPLER: Mr. Ratliff.

DONNIE RATLIFF: ---have to notify the coal
companies and coal companies that would have a veto right
which still would be able to exercise that if they wish to

move that?

CRAIG ECKERT: Yes. And keep in mind that the effect on the coal would only be for the vertical portion of this well.

DONNIE RATLIFF: That's right. I understand that.

CRAIG ECKERT: Okay.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: I might...just to, I think, maybe address some of Mr. Ratliff's concerns there, the vertical section of this hole will still be required to meet all of the casing standards and such of any hole drilled through the coals. In other words, they will have to...they will be required to case off those coals and submit the casing back to surface just as if they were drilling a regular well and there's nothing in any of this that would negate the objection rights of any owner.

BILL HARRIS: In terms of expenses, and I guess this sort of a general question, we would...the...even if a new well were drilled, that would be expensed to...for instance, this as unit five down here, would be expensed to unit five or would...I mean, since it's physically in four would it...I guess I am wondering how would we---?

BENNY WAMPLER: It would be where the production

comes from.

BILL HARRIS: Where the production comes from. So, it would be expensed to five then. Even though physically it's drilled in four. I mean, I guess I am---.

JIM KAISER: Physically it started in four but---.

BENNY WAMPLER: In other words, first the production attributable to it would be...it would be in five. Is that correct?

JIM KAISER: Yeah. Should it be a force pooled unit, then the folks that we're forcing pooling in five would get the election.

BILL HARRIS: In five. And four would have...since again this casing would exclude production from four, okay.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: Mr. Chairman, I just have one question related to what Mr. Ratliff had said about the fold. If a company comes in and they are interested in mining one of those underground seams that you have gone through, you're saying that the casings would seal that. There would be no danger or problems with mining in those seams that you have---.

CRAIG ECKERT: Well, from the stand point of the coal company, this part of the well bore would look just

like a vertical well bore. There would be no...and there would be no increased danger of gas seepage from the producing zone into the coal seams than there would be from the typical vertical well bore---

BENNY WAMPLER: Plus typically, the coal company is not going to let them put one of these wells where they're going to have to deal with mine through because this is not the type of well you mine through.

MARY QUILLEN: Right. That...that was my question is how would this impact any mining? So, if a coal company owns the mining rights in any of those areas, that's what you were saying that they have the right to veto this? Is that---

BENNY WAMPLER: That's currently the law.

MARY QUILLEN: ---basically---

BENNY WAMPLER: There is a coal owner veto of the placement of these wells within the coal seams.

MARY QUILLEN: So, it has to be an agreement between the gas and oil and the coal company that does this and it's not going to impact their ability to---

JIM KAISER: Their current or future mining plans, right.

MARY QUILLEN: Yeah. Okay.

DONNIE RATLIFF: Mr. Chairman.

BENNY WAMPLER: Mr. Ratliff.

DONNIE RATLIFF: Is there...is there already an existing well right there at the area where you're going to---?

CRAIG ECKERT: Yes. Yes, there is. It's a Berea well. The well TD just below the Berea Sandstone. Again, we're...we're looking to take advantage of the roads and infrastructure already in that area and maybe not exactly that location, but very near to it in drilling the vertical portion of this well.

DONNIE RATLIFF: I guess, I can see some land owner not understanding the drills on my property and I'm in this drilling window---.

BENNY WAMPLER: And not getting paid for it.

DONNIE RATLIFF: ---and not getting paid for it.

CRAIG ECKERT: If I might just add to that, there are...there are horizontal wells drilled all over the world. I mean, probably tens of thousands of them that this is the case for that where you may start the surface location in one unit or in one grid and the producing horizon for which those royalty owners are paid on is offset to the east, west, north or south. So---.

JIM KAISER: Well, and obviously to be able to go on that surface owner's property we would either have to

have a lease that gives the right or an agreement and then they will also be notified at the permit stage and have the right to object there.

BILL HARRIS: Now, are these folks typically compensated for, you know, having to---?

JIM KAISER: Damages, sure.

BILL HARRIS: ---disturbing---?

MARY QUILLEN: But just don't get any of the---?

CRAIG ECKERT: Royalty.

JIM KAISER: Well, if they don't own the oil or gas, they don't have any right to the royalty.

MARY QUILLEN: And a lot of people...and I can...I mean, just you know that we have that come before the Board that say, "I don't want that on my property. I am going to build a house here or I've got this and it's going to diminish the value of my property."

JIM KAISER: That's an objection that's made in Mr. Wilson's office in the permit process.

MARY QUILLEN: Yeah.

JIM KAISER: And that will be available to them here.

BENNY WAMPLER: The law is pretty clear on most...you know, the kind of objections that he can consider. Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

JIM KAISER: We'd ask that the application for the 320 acre unit be approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: So moved, Mr. Chairman.

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

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

CRAIG ECKERT: Thank you.

BENNY WAMPLER: We're going to adjourn for lunch and return at 1:00 o'clock.

JIM KAISER: At 1:00 o'clock?

BENNY WAMPLER: You was the one that cut into the time, buddy, not me.

(Laughs.)

(Lunch break.)

BENNY WAMPLER: Okay. We'll call the Board meeting back to order. The next item on the agenda is a petition Daugherty Petroleum, Inc. for creation and pooling of conventional gas unit DPI-1795. This is docket number VGOB-07-1016-2054. We'd ask the parties that wish to address the Board to come forward at this time.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser, Kelly Smith and Russell Hamilton for Daugherty Petroleum. They will both need to be sworn.

(Kelly Smith and Russell Hamilton are duly sworn.)

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

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

A. Kelly Smith with Daugherty Petroleum and I'm a paralegal.

Q. And you've testified before the Board on at least one other occasion, correct?

A. Uh-huh.

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

A. Yes.

Q. Now, are you familiar with the application that we filed seeking to establish a unit and pool any unleased interest within that unit, which was dated September the 14th, 2007?

A. Yes.

Q. Does Daugherty 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 with each of them?

A. Yes.

JIM KAISER: Bear with me for a second.

(Jim Kaiser confers with Kelly Smith.)

Q. What is the interest under lease to Daugherty within the gas estate?

A. It would be 95.803%.

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

A. Yes.

Q. So, 4.197% of the unit remains unleased?

A. Yes.

Q. And that is the part that's represented by Tract 1, which is owned by the Southwest Virginia Mineral Land Company---?

A. Yes.

Q. ---who is an unknown and unlocateable entity that I think we've pooled on five or six other occasions with Daugherty, is that correct?

A. That's correct.

Q. Okay. Now, you did...you did and have continued to make reasonable and diligent efforts to identify and locate any successors and interest to the Southwest Virginia Mineral Land Company?

A. Yes.

Q. And you've been unsuccessful?

A. Yes.

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

A. Yes.

Q. Are you requesting the 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. Five dollar bonus, a five year term with a one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, at this time, we'd ask that the statutory election options afforded the one unleased unknown party, the testimony taken earlier today in item 2026 be incorporated for purposes of this hearing.

BENNY WAMPLER: On behalf of Daugherty Petroleum, Inc., do you accept those terms?

A. Yes.

BENNY WAMPLER: That will be incorporated.

JIM KAISER: Thank you.

Q. Okay. Kelly, we do need to establish an escrow account for the proceeds attributable to Tract 1, right?

A. That is correct.

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

A. Daugherty Petroleum, Inc.

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

BENNY WAMPLER: Now, you just corrected your Exhibit B which had 90...the one we had had-.

JIM KAISER: Yeah. And that's why I've got these copies in here. I knew I had them for some reason. Susan, usually puts a note on there.

(Jim Kaiser passes out the exhibit.)

(Off record discussion.)

BENNY WAMPLER: So, this is revised Exhibit B.

JIM KAISER: That looks better doesn't it?

MARY QUILLEN: Yes. That adds up.

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

RUSSELL DOUGLAS HAMILTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Russell Douglas Hamilton. I'm employed by Daugherty Petroleum. I'm a geologist.

Q. Okay, Russell, you have not previously testified before the Board. So, if you would just briefly go over your educational background and work history.

A. Okay. I'm a 2003 graduate of Eastern Kentucky University in Geology. Previous to that, I worked a little bit in the oil and gas industry for numerous...well, not numerous companies, but a couple of companies as far as plugging wells and that kind of thing for the State of Kentucky. After...after I graduated, I went to work for the Department of Mines and Minerals for Kentucky as an oil and gas inspector.

Q. Which, by the way, they're looking for a new one. I don't know if you knew that.

(Laughs.)

Q. Not that you're allowed to go anywhere.
What is the total depth of the proposed well, Mr. Hamilton?

A. 5675 feet.

Q. Estimated reserves for the unit?

A. 250 million cubic feet.

Q. Are you familiar with the AFE that we submitted as Exhibit C to the application?

A. Yes.

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

A. Yes.

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

A. Completed well costs are \$443,138.50.

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 opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and 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, just a quick---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Just an information question. About the well plat, and I'm not sure who this goes to, just out of curiosity within the confines of the plat there is a reference in the lower left there on Kentucky State Plain Coordinate. Is that in there for a particular reason?

JIM KAISER: That happened to us the last time.

KELLY SMITH: Yes. That actually should not be Kentucky. That should be---

BILL HARRIS: okay.

JIM KAISER: The Virginia State Plain Coordinates are down there in the legend. This guy that does their surveying I guess mostly does Kentucky.

KELLY SMITH: He mostly does Kentucky. But he also does Virginia. So, he's---

BILL HARRIS: Okay. So, he's---

JIM KAISER: You can disregard that.

BILL HARRIS: Okay.

JIM KAISER: And then you'll find your Virginia

State Plain Coordinates down in the left.

BILL HARRIS: Yeah, in the plat information.
Okay. I just wondered---

JIM KAISER: I'm sorry. That happened to us the
last time we---

BILL HARRIS: Yeah. But that's just probably
something he does routinely. 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
approved as submitted with the revised Exhibit B there, Mr.
Chairman.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

DONNIE RATLIFF: Second.

BENNY WAMPLER: And second. Any further
discussions?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.
Next is a petition from Appalachian Energy, Inc. for pooling
of coalbed methane unit E-100. This is docket number VGOB-
07-1016-2055. 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, in
this case, it will be Jim Kaiser, Justin Phillips and Frank
Henderson on behalf of Appalachian Energy. If you'll bear
with me a minute, I've got a bunch of revised exhibits here.

BENNY WAMPLER: Go ahead and get these gentleman
sworn in.

JIM KAISER: Okay. What if I just give them to
Mary and you can pass them around. There's a B, B-3 and an
E.

MARY QUILLEN: That's right. We'll do it---.
(Justin Phillips and Frank Henderson are duly
sworn.)

(Jim Kaiser passes out revised exhibits.)

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

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. I'm Justin Phillips, Appalachian Energy, Inc., landman.

Q. And this is your first time testifying before the Virginia Gas and Oil Board. So, if you would, again, go through your work history and experience for them, please.

A. I've been in the business for ten years, eight of those have been in the capacity of a land or right-of-way representative securing company rights, easements, leases, development of mineral properties or for gas storage.

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

A. That's correct, yes.

Q. Are you familiar with the application that we filed seeking to pool the unleased interest in the unit for...unit number E-100 for the well AE-186, which was dated September the 14th, 2007?

A. Yes.

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

A. Yes.

Q. And prior to the filing of the application were efforts made to contact each of the respondents owning an interest in either the oil and gas or the coal within the unit and an attempt made to work out at voluntary lease agreement?

A. Yes.

Q. And what is the interest under...let's see, the interest...let me find my revised exhibit. In the gas estate, the interest under lease to Appalachian Energy at this point in time is 40.89%?

A. Yes.

Q. And the interest...the percentage of the coal estate under lease in this unit to Appalachian Energy at this time is 43.01%?

A. Yes.

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

A. Yes.

Q. So, that means that on the gas estate 59.11% remains unleased, is that correct?

A. Yes.

Q. And on the coal estate 56.99% remains unleased?

A. Yes.

Q. Now, we do have one unknown entity in this one and she owns the one-twentieth in just the gas estate in Tract 1 and that's Dorothy Company and/or her heirs and since the time that we filed this application apparently we think she has somewhere in the area of eight or nine heirs and we have been able to locate one, two, three, four, five or six of them?

A. Correct.

Q. And we're in the process of trying to get them leased, but we just located them several days ago and haven't had the chance to finalize that process yet, correct?

A. Correct.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

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

Q. Okay. And in your opinion, do the terms you just testified to represent the fair market value of 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 statutory election option testimony taken earlier today in 2026 be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms on behalf of the company?

A. Yes.

BENNY WAMPLER: They will be incorporated.

Q. Mr. Phillips, we do need to establish an escrow account because of whatever heirs remain unknown in the gas estate in Tract 1 and so all proceeds attributable to Tract 1 will need to be escrowed, is that correct?

A. Yes.

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

A. Appalachian Energy, Inc.

JIM KAISER: That's all I have of this witness at this time, Mr. Chairman.

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

FRANK HENDERSON

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Frank Henderson, President of Appalachian Energy.

Q. And the total depth of the proposed well?

A. 2,018.

Q. I've got 2246 on this one.

A. I'm sorry. 2200.

Q. 2200?

A. And 46.

Q. Okay.

A. That's correct.

Q. So, the proposed depth is 2,246 feet?

A. That's correct.

Q. And the estimated reserves for the unit?

A. 250 million.

Q. Okay. 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. Yes.

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

A. The dry hole costs of \$133,573 and completed well costs are \$389,384.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes, they do.

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?

KATIE DYE: Mr. Chairman.

BENNY WAMPLER: Mrs. Dye.

KATIE DYE: I have a question on this Exhibit B, this Liddie Jane Coleman. She has New Market, Maryland address and a Tazewell, Virginia.

JIM KAISER: The Tazewell, Virginia part is a typo. It must have got moved over there somehow.

JUSTIN PHILLIPS: New Market is the correct one.

JIM KAISER: New Market is the correct address. You can just cross through that. It got left in there somehow. Another cut and paste, I'd say.

BENNY WAMPLER: Other questions?

(No audible response.)

JIM KAISER: You'll find that also on the Exhibit E. It needs to be taken off there too, the Tazewell part

underneath the New Market matter.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Appalachian Energy, Inc. for pooling coalbed methane unit F-100. This is docket number VGOB-07-1016-2056. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Jim Kaiser, Justin Phillips and Frank Henderson again. Again, we've got revised B, B-3 and E.

(Jim Kaiser passes out revised exhibits.)

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

JUSTIN PHILLIPS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

Q. And you're familiar with the application that we filed seeking to pool any unleased interest in unit F-100 for well AE-187?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Okay. Now, as of right now within this unit, the percentage of the gas estate that's under lease to Appalachian Energy is 51.38%, is that correct?

A. Yes, it is.

Q. And the percentage of the coal estate that's under lease is 53.67%, is that correct?

A. Yes.

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

A. Yes, they are.

Q. And that means that 48.62% of the gas estate remains unleased, correct?

A. Yes.

Q. And 46.33% of the coal estate remains unleased?

A. Yes.

Q. And, again, the only unknown unlocateable party that we had was Dorothy Compton?

A. Or Heirs, yes.

Q. And her...yeah, and her heirs. We have identified at this point at least six of the eight or nine and are working towards the other ones and continuing to work towards a voluntary lease?

A. Correct.

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

A. Yes.

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

A. Yes.

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

A. Yes, I am.

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

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

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

A. Yes.

JIM KAISER: Mr. Chairman, we'd, again, ask that the election testimony be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

A. Yes, I do.

BENNY WAMPLER: They will be incorporated.

Q. And let's see, the Board needs to establish an escrow account again for proceeds attributable to Tract 1, correct?

A. (No audible response.)

Q. Correct?

A. Yes.

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

A. Appalachian Energy.

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

BENNY WAMPLER: You've got the same address issue here.

JIM KAISER: Yeah, we've still got that Tazewell, Virginia underneath her Maryland address, yeah.

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

FRANK HENDERSON

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Henderson, what's the total depth of this proposed well?

A. 2,260 feet.

Q. Estimated reserves for the unit?

A. 250 million.

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

A. Yes.

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

A. Yes.

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

A. The dry hole costs of \$134,093. Completed well costs are \$405,013.

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 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: No further questions 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 with the revised set of exhibits being B, B-3 and E.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: I 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 Appalachian Energy, Inc. for pooling of

coalbed methane unit G-100, docket number VGOB-07-1016-2057. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Jim Kaiser, Justin Phillips and Frank Henderson, again. Mr. Chairman, again, we've got another big set of exhibits here.

(Jim Kaiser passes out revised exhibits.)

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

JUSTIN PHILLIPS

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. Yes.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in this unit?

A. Yes.

Q. Now, does Appalachian Energy own drilling rights within this unit?

A. Yes.

Q. And prior to the filing of the application,

were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. Okay. As of right now, Appalachian Energy has 88.67% of the gas estate under lease?

A. Yes.

Q. And 89.56% of the coal estate?

A. Yes.

Q. So, that means the unleased is 11.34% of the gas estate?

A. Yes.

Q. And 10.45% of the coal estate?

A. Yes.

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

A. Yes.

Q. Again, we have Ms. Compton's Heirs that we're still attempting to identify?

A. Yes.

Q. And are the addresses set out in revised Exhibit B to the application---

A. Yes.

Q. ---the last known addresses?

A. Uh-huh. Yes.

JIM KAISER: Hopefully, there's no Tazewell, Virginia on the bottom of Liddie Coleman.

KATIE DYE: No.

JIM KAISER: Not this time?

KATIE DYE: No.

JIM KAISER: All right.

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

A. Yes.

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

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

Q. In your opinion, do the terms that you've just testified to represent the fair market value of and the fair and reasonable compensation---

A. Yes.

Q. ---to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Now, Mr. Chairman, we'd, again, like to incorporate the statutory election option part of this testimony, which was taken earlier today in item 2026.

BENNY WAMPLER: Do you accept those terms?

A. Yes.

BENNY WAMPLER: They will be incorporated.

Q. Mr. Phillips, the Board does need to establish an escrow account for any proceeds attributable to Tract 1?

A. Yes.

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

A. Appalachian Energy.

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.

FRANK HENDERSON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Henderson, what's the proposed depth of this well?

A. 2,235 feet.

Q. And the estimated reserves for the unit?

A. 250 million cubic feet.

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

A. Yes.

Q. And you're familiar with it?

A. Yes.

Q. And you feel it represents 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. Dry hole costs \$148,313 and completed well costs \$403,428.

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?

MARY QUILLEN: Mr. Chairman.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: Mr. Henderson, could you state depth of that again?

FRANK HENDERSON: 2,235 feet.

MARY QUILLEN: 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 approved with the revised set of exhibits.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(All members signify by saying yes.)

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 Appalachian Energy, Inc. for pooling of coalbed methane unit G-101. This is docket number VGOB-07-1016-2058. 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, Justin Phillips and Frank Henderson on behalf of Appalachian Energy.

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

JUSTIN PHILLIPS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Phillips, are you familiar with the application we filed here seeking to pool any unleased interest in the AEI unit G-101 being for well AE-189?

A. Yes.

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

A. Yes.

Q. Prior to the filing of the application, did

you make an attempt to contact each of the respondents owning an interest in the oil and gas or the coal and make an attempt to work out a voluntary lease agreement with those people?

A. Yes.

Q. Okay. As of time, the percentage of the oil and gas estate that is under lease to Appalachian Energy is 66.79%?

A. Yes.

Q. And the percentage of the interest under lease to Appalachian Energy in the coal estate 68.13%?

A. Yes.

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

A. Yes.

Q. So, that means as to the gas estate we have 33.21% unleased?

A. Yes.

Q. And as to the coal estate 31.87% unleased?

A. Yes.

Q. Again, we have the Dorothy Compton Heirs that we're still attempting to identify completely and you're still working on that, correct?

A. Yes.

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

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest 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. A five dollar bonus, a five year term and one-eighth royalty.

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

A. Yes.

Q. Okay. The Board, again, needs to establish an escrow account for any proceeds attributable to Tract 1 in the unit, correct?

A. Yes.

Q. And who should be named operator under any

force pooling order?

A. Appalachian Energy.

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.

FRANK HENDERSON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Henderson, the proposed depth for this well?

A. 2,242 feet.

Q. The estimated reserves for the unit?

A. 250 million cubic feet.

Q. Are you familiar with the AFE that was submitted to the Board as Exhibit C?

A. Yes.

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

A. Yes.

Q. Could you state both the dry hole and

completed well costs for this well?

A. The dry hole costs of \$148,833 and the completed well costs of \$374,807.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

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

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

BILL HARRIS: Yeah, just a brief question.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Yes. I've noticed the depth that you've given, actually the last two or three, those don't agree there within 20-30 feet of the depth on the AFE. I was wondering, are we missing something or---?

FRANK HENDERSON: I believe what happened there was the...what we had sent in was the preliminary depth and the corrected depth is what Jim has here on the...which is...is going to have a minor effect on the cost of the well.

BILL HARRIS: So, the 2242---?

FRANK HENDERSON: Correct, instead of 2210.

BILL HARRIS: Instead of 2210?

FRANK HENDERSON: Yes, sir.

BILL HARRIS: Yeah, okay. Because we had...I know you had stated that actually the last couple of cases and there was a little difference there, but I just...I was just curious about that. Okay, thank you.

BENNY WAMPLER: Just a check, did you incorporate the lease terms in this one?

JIM KAISER: Gee, I don't think I did.

BENNY WAMPLER: I don't believe you did.

JIM KAISER: We'd ask that the statutory election option terms be incorporated for purposes of this hearing that were taken earlier in item 2026.

BENNY WAMPLER: Do you accept those terms?

JUSTIN PHILLIPS: Yes.

BENNY WAMPLER: That will be incorporated.

JIM KAISER: I apologize.

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 the revised set of exhibits.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: 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. Thank you.

JIM KAISER: Thank you.

BENNY WAMPLER: Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 825737 and this is docket number VGOB-07-1016-2059. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, it will be Jim Kaiser, Dennis Baker and Stan Shaw on behalf of Chesapeake Appalachia. We would ask at this time that this petition be...or this application be withdrawn. We were not able to get coal approval on this site.

BENNY WAMPLER: All right. We have another gentleman at the table. Do you have anything you would like to say?

HENRY HACKWORTH: My name is Henry Hackworth. I'm with Kinzer Business Realty. We're owner and part of the percentage of the oil and gas that was going to be pooled in the particular petition.

BENNY WAMPLER: Okay. All right. Thanks. So, this is withdrawn. Next is a petition from Chesapeake Appalachia, LLC for creation and pooling of conventional gas unit 826497, docket number VGOB-07-1016-2060. 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, Dennis Baker and Stan Shaw for Chesapeake Appalachia.

HENRY HACKWORTH: My name is Henry Hackworth. I'm with Kinzer Business Realty.

BENNY WAMPLER: All right. I need you to get sworn in, please.

(Henry Hackworth is duly sworn.)

BENNY WAMPLER: We'll let them make their proposal and then you can make comments. You may proceed, Mr. Kaiser.

JIM KAISER: If you'll turn to your Exhibit B, you'll see that at the time we filed this application you'll see most of the interest, other than Kinzer Business Realties half interest in Tract 3 is all Buchanan Energy. We were force pooling them for purposes of unitization because the lease...the original lease doesn't have a pooling or unitization clause in it. Since the time we filed this application, they have modified the lease for these tracts for this unit to allow for pooling and unitization. So, I guess in a sense you could take out that asterisk. That's basically informational purposes. It's not going to change our percentages because we've always shown the percentages as being leased. We're only pooling for unitization purposes. So, I just wanted to let you know that had been done.

BENNY WAMPLER: All right.

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Dennis Baker, employed by Chesapeake Appalachia, LLC as Senior Landman.

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

A. Yes.

Q. Are you familiar with the application that Chesapeake filed seeking to establish a drilling unit and pool any unleased interest for well 826497, which was dated September the 14th, 2007?

A. Yes.

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

A. Yes, we do.

Q. And prior to the filing of the application and, in fact, on a continuing basis are you making efforts to contact each of the respondents owning an interest in the oil and gas within the unit and an attempt to work out a voluntary lease agreement?

A. Yes, we are.

Q. What is the interest under lease to Chesapeake within the unit at this time?

A. Currently leased to Chesapeake is

90.238708%.

Q. And what percentage is unleased?

A. Unleased is 9.761292% unleased.

Q. And all unleased parties set out at B-3 to the application?

A. Yes.

Q. And we don't know have any unknown or unlocateable parties in the unit do we?

A. No.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. A five dollar per acre consideration, a

five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, we'd again ask that the statutory election options afforded any unleased parties be incorporated for purposes of this hearing, unless Mr. Hackworth wants me to go through them. If you want me to, I will.

HENRY HACKWORTH: No.

JIM KAISER: Okay. We'd ask that the testimony from item 2026 be incorporated for purposes of this hearing.

BENNY WAMPLER: Do you accept those terms?

A. Yes.

BENNY WAMPLER: They will be incorporated.

Q. Mr. Baker, the Board in this particular case does not need to establish an escrow account, correct?

A. No, they do not.

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

A. Chesapeake Appalachia, LLC.

JIM KAISER: Nothing further of this witness, Mr.

Chairman.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

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

(No audible response.)

BENNY WAMPLER: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Stan Shaw. I'm employed by Chesapeake Appalachia, LLC as a reservoir engineer.

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

A. Yes.

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

A. 6,120 feet.

Q. And what are the estimated reserves for the life of the unit?

A. 350 million cubic feet.

Q. Are you familiar with the AFE that we filed that's Exhibit C to the application?

A. Yes.

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

A. Yes.

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

A. The dry hole costs are \$365,525 and the completed well costs are \$718,462.

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---

A. Yes.

Q. ---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 any comments?

HENRY HACKWORTH: No.

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.

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 Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next is a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 826497. This is docket number VGOB-07-1016-2061. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: In this case, Mr. Chairman, it will be Jim Kaiser and Stan Shaw on behalf of Chesapeake Appalachia.

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

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

Q. Are you familiar with the application we filed seeking a location exception for well 826497?

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 the unit for well 826497?

A. We control all the drilling rights.

Q. So, Chesapeake has a 100% of it under lease?

A. Yes.

Q. Or pooled, I guess, just now.

A. Yes.

Q. All right. And Chesapeake have the right to operate any reciprocal wells?

A. Yes, we do.

Q. That being---

A. Well 9046.

Q. Well 9046. Are there any correlative rights issues?

A. No.

Q. Okay. Now, taking the exhibit that you prepared for this hearing and that has been passed out to the Board, explain why we're here having to seek a location exception for this well.

A. We're only 2,043 feet away from 9046. 457 feet less than the statewide spacing. The circles on the exhibit are a 2500 foot radius and not the drilling unit, but more or less a spacing radius. This site was chosen as a direct result of consultation with the mining company in an effort to avoid any complications with ongoing and future mining. A location has already been mined and this will not interfere with future plans. The location is coal approved. The yellow shading on there shows existing mining area and the green is the future mining. So, anywhere we would move to the east beyond 2500 feet we would be in the existing mining area. This is where mining in direct consultation suggests we put this well.

Q. So, this site was basically picked by the coal owner of Tract 1, which is the major part of the unit?

A. Correct.

Q. Which is, what, Alpha Natural Resources, I guess?

A. Yes.

Q. Okay. Could you project for us the loss of reserves if this location exception were not granted?

A. 350 million cubic feet.

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

A. 6,120 feet.

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

A. Yes.

Q. In your opinion, did the grant of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for 826497?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: Who is operating 9046?

STAN SHAW: We are.

JIM KAISER: Chesapeake.

MARY QUILLEN: 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 approved as submitted, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion---.

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. That's going to be Exhibit A.

JIM KAISER: A. Yes...no. It probably has to be C. Isn't the plat A?

SHARON PIGEON: We can use C, that way we won't have any mix up.

BENNY WAMPLER: C.

JIM KAISER: Let's use C, yeah.

BENNY WAMPLER: Okay.

JIM KAISER: Use C in all of these. The plat is

A, the list of who we notified is B and---

BENNY WAMPLER: Right. That will be Exhibit C. Next is a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 826458, docket number VGOB-07-1016-2062. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Stan Shaw for Chesapeake Appalachia.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

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

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 has 100% of the rights.

Q. And does Chesapeake have the right to operate any reciprocal wells?

A. Yes.

Q. In this case, again being 9046 and then another proposed well?

A. Correct, 826457.

Q. Right. Okay, now, in conjunction with the exhibit that you just passed out and prepared for this hearing, explain why we're seeking this location exception.

A. Again, this site was chosen in direct consultation with the mining company to avoid any complications with an established sediment control pond and drainage plans, to locate the well in a legal location and to avoid a spacing exception would place the site in steep terrain within the drainage path between the surface mine and the sediment pond. Again, the location was coal approved. It's 213 feet too close to 826467 and 72 feet from being 2500 feet from 9046.

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

A. 350 million cubic feet.

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

A. 5,660 feet.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the unit for 826458?

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 members signify by saying yes, but Donnie

Ratliff.)

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You have approval. Next is a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 826621, docket number VGOB-07-1016-2063. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Stan Shaw for Chesapeake Appalachia.

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

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Chesapeake Appalachia has 100% of the drilling rights.

Q. And will...does or will Chesapeake have the right to operate the reciprocal well?

A. We do, yes.

Q. And are there any correlative rights issues?

A. No.

Q. Now, again, could you explain, in conjunction with the exhibit that you prepared for this hearing, why we're seeking this location exception?

A. This site will be 1831 feet from...on the exhibit. It says, "proposed well", but it's an existing well now. It's drilled and producing (inaudible). That's 669 feet less than the 2500 feet. Again, this site was chosen in consultation with the mining company to avoid reclaim or reclamation surrounding the valley field and an existing sediment pond and a mining area located north of

the proposed site. Also, the state line is on this exhibit too crossing into West Virginia.

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

A. 300 million cubic feet.

Q. And the total depth of this proposed well?

A. 6,375 feet.

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 underlying the unit for 826621?

A. Yes.

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

BENNY WAMPLER: Well 825685 is that a Chesapeake Energy well? It's not on your plat...not on your Exhibit C, but it's on your plat.

STAN SHAW: Yes, it is.

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, Mr. Chairman.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. You
have approval. Next is a petition from Chesapeake
Appalachia, LLC for establishment of a 320 acre conventional
unit for drilling of horizontal wells, docket number VGOB-
07-1016-2064. We'd ask the parties that wish to address the
Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, on behalf of Chesapeake
Appalachia it will be Jim Kaiser, Stan Shaw and possibly Ed
Roftman...are you guys coming down here?

(No audible response.)

JIM KAISER: Are you just going to let Stan do it?

(No audible response.)

JIM KAISER: Well, for right now, I'll just call Mr. Shaw, but I've got two other witnesses if I need them, and Mr. Baker for land purposes.

DAVID EPLING: Mr. Chairman, on behalf of the Estate of Martha Jane Lockhart Epling, my name is David Epling. I'm an attorney from Grundy, Virginia. I'll be speaking on her behalf.

JOE HALL: Mr. Chairman, on behalf of Alpha Land and Resources, LLC I'm Joe Hall. I have with Mr. Teresa Thompson.

BENNY WAMPLER: Any witness who haven't been sworn need to be sworn.

COURT REPORTER: Would you all raise your right hand?

(Teresa Thompson looks at David Epling.)

DAVID EPLING: I'm not going to be testifying, ma'am. I'm an attorney. I'll be asking questions.

JOE HALL: Yeah. He won't be testifying. He will be asking questions. I'm an attorney also.

(Teresa Thompson is duly sworn.)

BENNY WAMPLER: You folks have heard how we do this. We'll have them put on their witness and testimony and give you an opportunity to question them.

DAVID EPLING: Thank you, Mr. Chairman.

(Jim Kaiser passes out exhibits.)

BENNY WAMPLER: Would you make sure those folks have a copy of the exhibits, please?

DAVID EPLING: Mr. Chairman, could I have a copy of those exhibits?

BENNY WAMPLER: That's what I just asked him to do.

DAVID EPLING: Oh, thank you. Thank you so much.

JIM KAISER: All right. Mr. Baker and Mr. Shaw have been previously sworn. So, we'll begin with Mr. Baker.

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Dennis Baker. I'm employed by Chesapeake Appalachia, LLC as senior landman.

Q. What we have before the Board is a proposal to form a 320 acre provisional unit for the purposes of drilling horizontal conventional gas wells. You're familiar with that?

A. Yes.

Q. And would it be your testimony that as far

as the oil and gas are concerned that 100% of the interest in this 320 acres would be under lease?

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 any questions?

DAVID EPLING: Yes, I would. Thank you, Mr. Chairman.

CROSS EXAMINATION

QUESTIONS BY MR EPLING:

Q. Mr. Baker, you're a land manager for Chesapeake, is that correct?

A. Senior landman.

Q. Okay. And who does Chesapeake get their rights from? You testified that they owned a 100%. Are they successor in interest to Columbia Gas?

A. Yes.

Q. Okay. So, in other words, if they own 100% interest they got their interest from Columbia Gas Transmission Corporation, is that correct?

A. Yeah.

Q. And are you familiar with a lease from Columbia Gas Transmission Corporation for a tract of land, I believe on your Exhibit Number A, a tract of land that says, "Lease Number" and it looks like it has got a contour line that goes through the lease number, but it ends with, I think, 5428? It says, "Florence L. Lockhart, et al."

A. I'm not personally familiar with it. But, yes, I know which one you're talking about.

Q. Okay. And how many acres is that?

A. Not...it's probably---

JIM KAISER: It's just the acreage that's in the unit.

A. Pardon?

JIM KAISER: That's just the acreage that's included in the unit.

A. Right. That's just the acreage that's in the unit. That's not all of the tract acreage.

Q. Have you reviewed the leases of Columbia Gas?

A. Not all of them, no.

DAVID EPLING: Mr. Chairman, may I show this document to---

BENNY WAMPLER: Sure.

Q. Sir, I would like to hand you a document that purports to be a lease from Columbia Gas to certain other parties that's on record in the Circuit Court Clerk's office of Dickenson County, Virginia. Have you seen that document?

JIM KAISER: Prior to today, have you seen that document?

A. Prior to today, no.

Q. Do you have any reason to doubt that that's how Columbia Gas gets their title to this 42 acres?

A. No, I'd say it probably is.

Q. Sir, are you familiar with a lawsuit that has been filed in the Circuit Court of Dickenson County styled Martha Jane Epling and Lucille Mounts, Plaintiffs, versus Columbia Gas Transmission, Inc. and Florence Lockhart?

A. No, I'm not. No, I'm not.

Q. Okay. Were you aware that sometime after the execution of this lease, Columbia Gas informed Ms. Epling and Ms. Lockhart that they weren't going to pay them any royalties because they didn't own any gas rights in this tract? Were you aware of that?

A. No, sir.

Q. Were you aware that---

JIM KAISER: Mr. Chairman, I'm going to object to the line of this questioning and the relevance of it. We're not pooling anything here. We're just trying to form this unit. We're saying that that lease is good. Unless you've got a Court order saying it isn't good---?

DAVID EPLING: I do. I do.

JIM KAISER: Do you?

DAVID EPLING: Yes, sir.

JIM KAISER: Why don't you present that?

DAVID EPLING: Yes, sir, I would like to do that. And, Mr. Chairman, by the way, their testimony was that they owned a 100% of it. So, I'm just cross examining them based on what they've testified. Mr. Chairman, I have here a Court order from the Circuit Court of Dickenson County, Martha Jane Epling versus Columbia Gas Transmission and Florence Cochran that establishes in this Court order that Ms. Epling and Ms. Mounts owned this tract of land, or at least two-thirds of this tract of land. I believe Mr. Kaiser was the attorney for them in that.

JIM KAISER: I don't think so.

DAVID EPLING: Well, you were. You may not in that order. They had four or five attorneys, but you are the attorney of record right now on that case.

JIM KAISER: And what does this order show here?

DAVID EPLING: That Martha Jane Epling Lockhart and Lucille Mounts owned two-thirds interest in that tract of land.

JIM KAISER: Okay. We're not disputing that.

DAVID EPLING: Well, you said you owned a 100%. I'm sorry, I just---

JIM KAISER: Well, we have the other...we apparently have the other third under lease from somebody else.

DAVID EPLING: I think you do. That's what...that's just what I was trying to establish. We own two-thirds of that, okay?

JIM KAISER: Okay.

DAVID EPLING: All right.

JIM KAISER: I thought you were trying to establish that our lease weren't good.

DAVID EPLING: No, I didn't say that. I just said we own two-thirds of that one---

JIM KAISER: All right. Then, again, I'll repeat my objection to---

DAVID EPLING: ---tract of land.

JIM KAISER: ---the relevance of the line of questioning.

BENNY WAMPLER: Well, you know, I'm going to

overrule it and, you know, leave the statements as they are. We're not...the Board is not going to make any decision as to ownership anyway on any of this.

JIM KAISER: We're not asking you to in this petition.

BENNY WAMPLER: Right.

Q. Sir, the...I believe you sent notice out, is that correct? Who was responsible for sending that notice?

JIM KAISER: That would have been me or my office. Well, I guess Dennis has got to answer that.

DAVID EPLING: Well, you might be better witness since you are the attorney in the case. I would respectfully ask you to look at Exhibit B, Mr. Kaiser. Apparently, you sent notice to Martha Jane Epling...to Martha Jane and Guy Epling, husband, 19471 McRae Drive, Abingdon, Virginia. Is that correct?

JIM KAISER: Yeah, that's correct.

DAVID EPLING: Mr. Kaiser, were you aware that Martha Jane Epling and Guy Epling have been divorced for thirty-five years.

JIM KAISER: No, I wasn't.

DAVID EPLING: How did you get this address then for her?

JIM KAISER: I assume my client provided it to me. They sure got the notice because they signed the green card.

DAVID EPLING: Guy Epling...well, I doubt Martha Jane Epling did. She has been dead since 19...2002.

JIM KAISER: Well, I can't read...I can't read...it looks like Guy Epling signed for it.

DAVID EPLING: Mr. Chairman, for the record---

JIM KAISER: Would you tell me what difference that makes?

DAVID EPLING: Well, there's something more sinister going on here. We just want notice---

JIM KAISER: Oh.

DAVID EPLING: ---to the hearings. For the purpose of any further permits, I would just respectfully request that any further notices to Martha Jane Lockhart Epling be sent to me at David L. Epling, Attorney-at-law, P. O. Box 1067, Grundy, Virginia.

JIM KAISER: Just send me a letter and I'll be glad to do that.

DAVID EPLING: Well, you know, you had my address in this lawsuit over here in Dickenson County. You sent me a letter. I guess you already got my address.

BENNY WAMPLER: Well, I mean, you know, just to settle this, you now have notice that he's attorney of the

law...in fact on this. So, that would be for further correspondence.

DAVID EPLING: Mr. Chairman, we do have some objections pursuant to the statute regarding the gas and oil owners. Should any permit come about, as far as today's hearings and this witness, I don't have anymore questions for this witness.

BENNY WAMPLER: All right. Thank you.

DAVID EPLING: Thank you, Mr. Chairman.

BENNY WAMPLER: Call your next witness.

JOE HALL: Mr. Chairman, if I might---

BENNY WAMPLER: Oh, I'm sorry.

JOE HALL: ---Joe Hall. I have a few questions for Mr. Baker. Mr. Baker, it may be the questions here may be better suited for one of your other witnesses. If they are, you can let me know.

DENNIS BAKER: Okay.

JOE HALL: What we're here concerned about is in doing this mining...this boring that we provide for the protection of safety of our miners in the coal seams that are located on this property. So, with that we have a few questions regarding the mechanics of the well bores and things of that nature as I stated earlier in one of the other hearings here. First of all, Mr. Baker, I wanted to

know if you could confirm for us that the vertical well bore will go all the way through the coal seams before any curvature of the well bore---?

DENNIS BAKER: Okay. I need to refer that to one of the other Chesapeake employees. I'm...I'm not qualified to answer those questions.

JOE HALL: Okay. And someone will be here today to testify---?

JIM KAISER: Mr. Shaw.

JOE HALL: Mr. Shaw?

STAN SHAW: Yes.

JOE HALL: Okay. And would that be the same as far as communication of gas within the coal seams and things like that and casing off of the well bore? Would he be able to testify to that?

STAN SHAW: Yes.

DENNIS BAKER: No. Those questions will need to be addressed to Mr. Shaw.

JOE HALL: Okay. And would also be testifying about the number of wells and the location of wells on the property?

DENNIS R. BAKER: Yes.

JOE HALL: Okay. Then, I will reserve for Mr. Shaw any other questions that I have.

BENNY WAMPLER: Okay. Thank you. Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Stan Shaw. I'm employed by Chesapeake as a reservoir engineer.

Q. Okay. Now, I'm going to ask you to go through and present our case and our rationale for asking for the formation of this provisional unit for the drilling of conventional horizontal wells. If you'll just refer to...I know everybody has got you handout. If you'll just refer to each page as an exhibit starting with the first page being Exhibit A...well, wait a minute...I'm going to go with C.

A. If I could Skip---

Q. We've got A and B in the application.

BENNY WAMPLER: I've got A and C.

STAN SHAW: Yeah, B was in the application.

JIM KAISER: B is the notice.

STAN SHAW: I'll be starting with C.

BENNY WAMPLER: Just try...I mean, if they're

already labeled, you can keep the same labeling you have them as far as I'm concerned. It's just mainly that we can track them...keep can track of the.

STAN SHAW: Exhibit B shows a little better generally where this unit is located. It's the box with the bold red arrow in the lower left corner.

BILL HARRIS: I'm sorry, Exhibit---?

STAN SHAW: C.

BILL HARRIS: C, okay.

BENNY WAMPLER: You said B, is the reason we were---.

STAN SHAW: Oh, I'm sorry.

BILL HARRIS: Yeah.

STAN SHAW: Exhibit C.

BILL HARRIS: In the lower left corner, is that where the red---?

BENNY WAMPLER: The little red arrow.

STAN SHAW: Yes.

BILL HARRIS: Where the red arrow is?

STAN SHAW: Yes.

BILL HARRIS: Thank you.

STAN SHAW: That's where this unit is located. Major roads and streams are shown here. That little squiggly red line is Rt. 80. The bold black line is the

state border, Pike County, Kentucky to Virginia. This is near Elkhorn Center and Breaks Interstate Park. The next page is a summary of the proposal. It's fashioned to be identical to what Equitable and Pine Mountain have proposed. We've worked with them. We appreciate their efforts to blaze the path in working with Mr. Wilson in advance.

BENNY WAMPLER: Is that Exhibit D?

STAN SHAW: It is Exhibit D. I'll read through these items and then go into a little more detail on each of them. We seek a 320 acre square unit with dimensions of 3,733 X 3,733 feet. Within that, you can get a 5,280 foot diagonal. That area is equivalent to 2.8 times current circular vertical unit. We seek a 300 foot interior window. Consistent with other square units. We request it be permissible to drill a surface location outside of the unit so long as production comes from within the unit. We propose a minimum of a 600 foot distance between horizontal well bore and any vertical well producing from that horizon. We request that the provisional unit allow for multiple wells and/or laterals for maximum drainage. In some cases, two or more wells may be able to use the same pad due to terrain restrictions. (Inaudible.)

The next page is Exhibit E. It's a depiction of the first item. That's the square unit 3733 feet on the

side. I'd like to thank Craig Eckert for letting us use some of his slides. It should look familiar.

Exhibit F shows the 300 foot interior window. With that you have a 600 foot standoff from adjacent grid horizontal well bores.

Exhibit G shows a surface location outside of the unit. That is cased off until you get within that interior window so no production would be possible until you're within the interior window.

Exhibit H is the same concept as Exhibit G. It's just a popdown plan view or map view instead of the side view.

Exhibit I is a plan view on minimum spacing within the unit. As I understand it, it was also applied to wells outside of the single unit such as this if you didn't set up units all the way around the outside layer. That is the vertical well could be placed nearer than 2500 feet from the wellhead, but no closer than 600 feet from any portion of the well.

Exhibit J is the showing the five well bores from two different well sites. These well bores could target different production horizons or it could all be to the lower Huron, for example. There's benefits to using the same well site. I think they've recovered it that minimizes

a number of roads, locations, pipelines. I know there is concern and you need to take precautions so that we don't turn these into pincushions and I'll try to address that in a little bit.

There's no debate the statewide and minimum spacing on vertical wells is 2500 feet. That was possibly a compromise between wells real close and no wells at all. I don't know the entire origins. That spacing may be appropriate for some of the better Berea in Big (inaudible) formations, but it's not...it's not proper for formations such as the Lower Huron Shale or the other shales. I've read reservoir simulation studies most recently by Southwestern Energy Company in applying for Field Rules, Graveled Hill and Arkansas. You mentioned you had talked to some of those other regulators. They did reservoir simulation history matching of their shales which are very similar in permeability. The best ones were draining up to 20 acres. They did the same thing on the horizontal wells and said those were draining up to 62 acres. If think of these five well bores all in the lower Huron that would be an appropriate number, 62 acres a piece. They come pretty close to draining that. The alternative, you know, where we're saying it will take fewer wells to drain it, that would be an alternative to us coming in for field rules for

spacing on say 20 acres units or something like that for vertical wells. You might need 16 vertical wells to drain this same size of unit whereas, you know, 5 horizontal wells possibly from two sites can do the same things. So, that's our prospective on the horizontal wells being more efficient and adding fewer wells.

Exhibit K is showing the same concept as J. It's showing from one well site going into different formations. Right now our initial plan is to start with the Lower Huron Shale. As far as multiple laterals off the one well, the trouble now is with stimulation. If you don't have to frac them it's easier to do. I know there was a question about the pennate type of wells and CNX has contacted up to 30,000 feet of well bore from one vertical well, but none of that is frac or anything. You can...none of it is cased. So, it's not isolated. The technology might be there some day. Right now it's not economic.

Exhibit L is showing two or more wells may be able to use the same pad due to terrain restrictions. That's good for the producer or the coal owner and it minimizes environmental disturbance. The location may be a little larger, but it's still only one pipeline and one well road.

Next with Exhibit M, I want to get into a little bit of the history that Chesapeake has with horizontal

wells. I'll talk about a case history that we have of a well that has been producing since 1991 in Kentucky. To date, we've drilled 314 wells, horizontal wells, in the Barnett Shale in Texas. Some of those are within the bounds of Dallas, Fort Worth Airport. We have an 18,000 acre lease there. So, drilling near the airport. We have 113 wells in Fayetteville Shale in Arkansas. Our horizontal program is being run out of our Oklahoma City office and it's where we have the drilling support for these. Chesapeake Appalachia in 2007 we're drilling in the Marcellus Shale in northern West Virginia. We've drilled Lower Huron in Central West Virginia. We presently drilling Lower Huron in Southern West Virginia. We'll be moving that rig into eastern Kentucky in Pike County targeting the Lower Huron. Then, if we get permission we'll be moving into Virginia targeting the Lower Huron.

Exhibit N has a little summary of our Horizontal well 821747 in Martin County, Kentucky. It was a joint project with the Department of Energy. It was drilled in 1990 and completed then. It and it's offset wells didn't begin production until about a year later while it awaited for pipeline infrastructure. The horizontal displacement then was 2,812 feet. It had six completion intervals, four were in the lateral, the horizontal part of the well. One

was in the curve and one was in the vertical section, but still within the Devonian Shale. That well recorded 33 gas shows by mudlogger while drilling. We assume those were crossing natural fractures. The initial open flow was high at 3,100 mcf per day. The immediate offset wells averaged 747 per day and that was over 500 million cubic feet a day. If you look at all of the wells within two miles of that, the average initial open flow was about 300 a day. So, it was about ten fold better than an average vertical well initially. What's really important is how it held up long term. The cumulative production, it has been sixteen years now, is 528 million cubic feet already from that well. It's still going strong. It will produce a bcf. The immediate offset average production from that same start date, an average is 138 million and the offset that had the 500 million open flow, the higher initial, has produced 208 million. So, they're way better than that well and 3.8 times what those vertical wells. There's some pretty good vertical wells.

BILL HARRIS: Mr. Chairman, can I ask just a question about that page?

BENNY WAMPLER: Yeah, sure.

BILL HARRIS: That 33 gas shows, I think I know what means. Could you explain that in layman's terms? Does

this mean as you're drilling there actually is an indicator?
Is that what the mudlogger...I don't what these items are.

STAN SHAW: Yeah. As the returns come back from
drilling---

BILL HARRIS: Okay.

STAN SHAW: ---there's a device that takes more or
less an air sample or gas sample.

BILL HARRIS: So, it detects the presence of the
gas?

STAN SHAW: Yeah. It's a (inaudible).

BILL HARRIS: So, you're saying that as...while
drilling...now, when it says 33 gas shows this isn't...this
is not one well is it or is it?

STAN SHAW: That's during drilling that lateral in
that one well.

BILL HARRIS: Okay, okay. Okay, okay, thank you.

STAN SHAW: I'd like to emphasis the importance to
the industry and others of horizontal drilling, that's
Exhibit O, of why we need the units established. The
horizontal well can penetrate more productive formation and
our well 821747 is a great example of that benefit. You can
alter the orientation of the well bore path based on geology
and fracture trends with the larger units instead of having
a smaller angle unit. In some shales you have open

fractures and there you will want to drill perpendicular to those fractures. And other shales, and I believe it's true in some of the Barnett, you want to go parallel to those fractures and then frac to avoid connecting up to those fractures. So, there's different strategies out there and depends on your particular region and how that shale behaves. The laterals can reach into areas otherwise inaccessible by vertical wells and we will be drilling under the Breaks Interstate Park eventually, for instance. Not within the park, but under the park where we have leased. Horizontal wells more effectively extract the resources ultimately leading to less surface disturbance and fewer issues with coal mining. I know that's not obvious up front, but it's based on extracting an equivalent amount of gas that you're 100% going to drain. The higher depletion rates and development of the resource will benefit the royalty owner as well as the producer.

Exhibit P is just showing how a horizontal well can...you already saw this from Craig. It's the same slide. How you can connect up to more of those natural fractures and where we were talking about the 33 gas shows. Essentially, that would have been contacting these fractures in the horizontal well bore. The really good vertical well example offsetting that had the 5 million open flow, it also

connected fractures, which was great initially but didn't hold up as well long term.

This next to the last page, Exhibit Q, is just an example showing six units strung together and how as the fracture orientations changed you need to change the well bore orientation. So, if you had a real tiny unit, you wouldn't be able to do that. So, that's why the larger size is important.

The last, Exhibit R, this is an output from running microseismic in one of our horizontal wells in Texas. The purpose of this is to optimize the well spacing and the orientation of the wells. Essentially you run, not exactly microphones, but they're very sensitive devices like that that listen to the rock grate as you fracture that well. We would have a monitoring well drilled nearby. From this, assuming it works and it has in some other wells, you can get the height of the fracture grid, the length of the fracture grid and that orientation. In this particular well, those different colors are representing different frac stages that they belong to. Down in the Barnett they're pumping very large treatments compared to what we anticipate. Some of the length is going to be due to stress barriers, which there aren't very good stress barriers in the Lower Huron. So, we don't expect to get really long

fractures. I'm thinking around 250 feet in each direction from the well. This is how we're going to attempt to measure and quantify that.

That's all I've prepared.

BILL HARRIS: Mr. Chairman, let me just ask, this is just for---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Thank you. Just for I guess my own knowledge, back in Exhibit Q where you show the five or six wells, the fractures going in different directions, what I've gathered from your testimony and the earlier testimony is these fractures are naturally occurring---

STAN SHAW: Yes.

BILL HARRIS: ---and depending on what shale or what horizon, I'll use that term since it's a new one for me, but that these fractures do go in different directions. So, it is expected that if you're in a certain shale, then the fractures go east to west or whatever. Is this sort of a geological thing that happens?

STAN SHAW: Yes. There's a general trend for the entire Appalachian Basin, but there's some...some deviation from that. It's kind of along the same trend as the mountains...the mountain ridges.

BILL HARRIS: Yeah. Okay, I wasn't aware of that.

Okay, thank you very much.

STAN SHAW: You're welcome.

BILL HARRIS: Thank you very much.

BENNY WAMPLER: Other questions from members of the Board?

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---one question. Back on Exhibit K, where the well that is on the right, you're coming...you're crossing over where the well on the left goes down and you're...I'm assuming that you're actually going to be producing out of that first layer there as you're coming across, is that right? I'm I reading that right.

STAN SHAW: In this example, down in the right would be producing the Raven Cliff, for example.

MARY QUILLEN: Right. And that's the only thing it's producing from?

STAN SHAW: Yes.

MARY QUILLEN: Okay, now, when you're coming down with the well on the left, you're coming down through the Raven Cliff and you're going down to two other layers of the Berea and the shale. Is there any danger or...I don't know if you want to call it danger, but any likelihood that where

this crosses over, how close would that cross between the vertical hole or bore on the right?

STAN SHAW: Well, the way it's drawn, it shows it right on it, but that could be...you could be 90 degrees away.

MARY QUILLEN: Okay.

BILL HARRIS: So, if we could look at this from above, you're saying there is a separation?

STAN SHAW: Oh, no.

MARY QUILLEN: That was my question. You know, how close would it come that...would there be any danger of interference?

STAN SHAW: Well, the Raven Cliff would be cased off.

BILL HARRIS: Would be---?

STAN SHAW: Cased off and not producing on the well shown to the left. If we chose to produce that, we would need to be 600 feet away.

MARY QUILLEN: Okay, okay. So, it applies to the same as if you were on the surface, the 600 feet?

STAN SHAW: Yes.

MARY QUILLEN: Oh, okay. That answers my question then.

BILL HARRIS: Can I just extend it? If we were

viewing this from above, these wouldn't be in line though?

STAN SHAW: Correct.

BILL HARRIS: I mean, they would be offset to a point where what we see as the one on the right would go through and the other would be somewhere to the left or right of that, non-interfering?

STAN SHAW: Right. Right. And we could...we could choose to complete that Raven Cliff in both wells if we wanted. One would be vertical. In that instance, we would need to honor the spacing---

BILL HARRIS: But there would actually be in separate areas of the---

STAN SHAW: Yes, definitely.

BILL HARRIS: ---of the 320 acre?

STAN SHAW: Yes.

BILL HARRIS: Okay. I didn't mean to piggyback onto your question.

BENNY WAMPLER: Mr. Hall.

JOE HALL: Thank you, Mr. Chairman. It is Joe Hall for the record.

CROSS EXAMINATION

QUESTIONS BY MR. HALL:

Q. Mr. Shaw, as I was stating earlier, our

concern on this property is the safety of our miners and the future development of the coal reserves that are in this area. So, what I need to do is just...if I can confirm some things from you if you don't mind. First of all, can you confirm for us that the vertical well bore, the vertical drilling that will go down through the layers will go past all of the coal seams before curving the pipeline out horizontally?

A. It will.

Q. Okay. Can you give me an estimate as to how far down you plan on going? Will it be 5,000 feet or greater before...in this unit before curving the units out?

A. We haven't finalized our initial well bore path on this well, but it will be somewhere in the vicinity of the Berea. So, yes, much deeper than in the coal.

Q. Okay. So, but your plan is definitely to go below the coal before---?

A. Definitely.

Q. ---going out?

A. Yes.

Q. Okay. Can you also confirm for me that these well bores on their way down will be cased...cased off so that there's no communication of gas to or from the coal seams to protect the miners who may be working in there in

the future?

A. There will multiple casings run through the coal and the permitting process for these wells will be the same as the vertical wells.

Q. Okay. And that's the casing that's provided for in the statutes?

A. Yes.

JOE HALL: Okay. And I'd also like to just confirm, Mr. Chairman, that this...the entry of this order will not interfere with any coal owner veto under statutory section 45.1-361.12. I think that was mentioned earlier about the---

BENNY WAMPLER: In the order we issue wouldn't in anyway change the statutory requirements that they would have to meet.

Q. Okay. And, Mr. Shaw, can you give me an idea of how many wells you're planning on putting in this unit?

A. We only have one well planned as of today---

Q. Okay.

A. ---to test to see how it works. As I understand it, we have coal approval on that well already.

Q. And where is that well located? Is it

inside the unit or outside of the unit?

A. It is in inside the unit.

Q. Okay. Can you give me an idea just of where that well is going to be located on the map? You can refer to me to...we can look on Exhibit A to the petition, if you would like, because I'm not seeing anything in the unit on this exhibit. Is it one of the ones outside of the unit

or---?

JIM KAISER: No, those are existing vertical wells outside of the unit. I think right now they're planning a surface (inaudible). That's old exhibit that we refiled to...which I'll get to in a minute. We're going to go back to the land stuff for a minute with the Board's indulgence.

Q. Okay. What is...on this exhibit that you just gave me though, you said the old Exhibit A, the green dot is the on that you're saying is the proposed well right now?

A. Correct. We don't have the finalized plat.

Q. Okay.

A. That will be forthcoming soon.

JIM KAISER: But as of right now, that would be the proposed top hole location?

Q. Okay. Where is the...what's the red dot?

What does that signify?

JIM KAISER: That's the bottom hole.

A. That's the very end of the horizontal well bore.

Q. So, that where the horizontal well bore will end?

A. Yes.

Q. Okay. So, it will run in that direction from the green dot---

A. Yes.

Q. ---to the red dot once it gets under the coal seams?

A. Yes.

Q. Okay. Do you have any extra copies of this here today?

JIM KAISER: No, but we can get you one.

JOE HALL: Okay, yeah, if you wouldn't mind because I wasn't aware of where the proposed well was going to be located.

Q. Okay.

DAVID EPLING: Mr. Chairman, could I ask that I be given a copy of that map also?

BENNY WAMPLER: Sure.

Q. And can you give me an idea or what the

time frame is for building these wells?

A. It's right around year-end.

Q. Of 2007?

A. Yes.

Q. Okay. It will be completed by year-end or started by year-end?

A. Our drilling schedule fluxates. The spud date is right around plus or minus January the 1st.

Q. Okay.

A. About the last week of December. The completion will be within two months later after that date.

Q. Okay. And what is the anticipated life span of these wells?

A. 65 years.

Q. Okay. And I think you answered this earlier, but just to confirm, is this the first horizontal drilling unit that your company will be operating in Virginia?

A. It is, yes.

Q. Okay. And in the exhibit earlier that mentioned for your companies experience in horizontal drilling is that a complete summary of your experience or are there ones that are not on that exhibit in other states or---?

A. I have experience with other horizontal wells with other companies prior to working with Chesapeake.

Q. Okay. What about Chesapeake's experience?

A. There's 75 drilling rigs operating and running. So, we're adding to that.

Q. And that's horizontal drilling rigs?

A. A fair number of them, yes.

Q. Can you give me an idea of how many of those 75 are horizontal drilling rigs?

A. No, I can't.

Q. Half or more or less than half?

A. I'd better not say. I don't know.

Q. Okay. What geological information do you possess that indicates that this method of gas extraction will support the creation of this drilling unit for horizontal well bores?

A. Probably the...our well drilled in 1990 is the best example.

Q. Is that the one in Kentucky?

A. Yes, it is.

Q. Do you have any geological information from Virginia that would support this well unit here?

A. No, I don't. The Martin County well is just across the border in Pike County, which butts up to

Virginia. So, it's very close.

Q. Is that a horizontal unit as well?

A. That's---.

Q. Is the one in Kentucky is a horizontal well?

A. Yeah, it's a lot different shape than what this would be.

Q. How far away is that one than this...to this location?

A. In order of 25 miles from here.

Q. Okay. Do you have any current...is that...the one vertical unit that's in that exhibit, is that the only one that's planned right now as far as the vertical drilling unit?

A. Could you repeat that, please?

Q. The one that you've pointed out on that exhibit that you're going to give me a copy of that shows the initial vertical drilling unit, is that the only one that's currently planned for this unit?

A. Yes, it is.

Q. Okay. And right now are you planning on doing a single horizontal well bore or are you planning doing the multiple ones as you mentioned earlier?

A. A single well bore.

Q. A single well bore. And how long is that single well bore going to be?

A. 3,000 feet.

Q. 3,000 feet.

A. At least on another unit.

Q. Okay.

A. We'd have to scale it off on this one.

Q. Now, can you---

A. It's closer to 2500 feet or so.

Q. Okay. No, that's okay. I didn't mean to cut you off. Can you identify for me the location of the pipeline or lines, if there's going to be more than one that will service this well...this proposed well?

A. Not at this time.

Q. Has that been discussed or planned?

A. It's in the planning stages. A different group of people works on that and it would be in the permit application.

Q. Okay. Right now there's no finalized well or well line or pipeline to service this well?

A. Not that I'm aware of.

JIM KAISER: But you have pipelines in the area, don't you?

A. Yes. Certainly.

Q. Okay. How---

JIM KAISER: Do you see these black triangles?
Those are existing vertical wells.

JOE HALL: Okay.

JIM KAISER: Okay?

Q. I guess my question...follow up question is, how close to this...the proposed well is the nearest pipeline that will service it because there's going to be something to take the gas to that existing pipeline? So, can you tell me where that is, where the closest existing pipeline is? You can use it on my...on Exhibit A here.

JIM KAISER: It's going to be coming out of either one of those.

A. Most likely it would tie into one of those three points of existing wells shown.

Q. Okay. And you're talking about this one, this one and this one?

A. Yes.

Q. Okay. Can...do you know the direction or where the existing pipeline is on this map or do you know of anyone here today who knows the...that's going to be testifying about that or who would have that information?

A. I probably have a map with me. It will take me a while to dig it out. We can do that now.

Q. If it...I don't want to take up the Board's time, but I would like to know where...if you can easily, tell me where the pipeline is---

A. I can show you.

Q. ---given the location of the proposed pipeline.

BENNY WAMPLER: I think that's something that he could show you later---

JOE HALL: We can do it afterwards. Yeah, we can do that afterwards.

BENNY WAMPLER: ---because it's not relevant to what we're dealing with.

JOE HALL: Okay.

Q. With a vertical portion of this well and any others that you plan on putting in here, will they comply with the 2500 foot spacing rules under the statutes?

A. The spacing is different within the 320 acre unit.

Q. And can you tell me how that's different?

A. We cannot be within 600 foot of a well in the same producing horizon.

Q. And is that within 600 foot of a vertical well or of the vertical lines too?

A. Either.

Q. Either, okay.

JOE HALL: Okay, I think that's all I have right now.

BENNY WAMPLER: I'm going to let him go back and address something. I'll come back to you.

JIM KAISER: Well, I want to put on another witness. He had asked---

DAVID EPLING: Mr. Chairman, I don't mean to interrupt. Could I ask this witness a question or two?

BENNY WAMPLER: Yes.

DAVID EPLING: Thank you.

BENNY WAMPLER: I didn't know he was going to put on another witness.

JIM KAISER: Well, I just wanted to---

BENNY WAMPLER: I thought he was going to clarify something.

JIM KAISER: No, I'm going to back and do that too. This gentleman asked a geology question and Stan is really the engineer. We have a geologist here. I thought maybe he could better answer it. So, if you want to ask...I think your question again...well, I'll get you sworn in.

BENNY WAMPLER: No. I'm going to let him ask this witness first.

DAVID EPLING: Mr. Chairman, I've got a geology

question. So, I believe I'll just wait until---

BENNY WAMPLER: Okay.

DAVID EPLING: ---he puts on his geology witness
there.

BENNY WAMPLER: All right. Go ahead.

DAVID EPLING: Thank you.

BENNY WAMPLER: Raise your right hand.

(Matthew Weinreich is duly sworn.)

MATTHEW WEINREICH

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Could you state for Board, who you're
employed by and in what capacity?

A. Matthew Weinreich, Chesapeake Appalachia.
I'm involved with geology in this area.

Q. And what...could you give me a brief
history of your educational background and professional
experience?

A. I've a Bachelor's Degree and Master's
Degree from the University of Akron in geology and I've been
working for approximately two years in the oil and gas

business in this area for Chesapeake and personal operator in Ohio.

CROSS EXAMINATION

QUESTIONS BY MR. HALL:

Q. Okay. Just...my question earlier was what geological information this company possesses that indicates this method of gas extraction would support this unit?

A. I think the quality of the shell that we've seen in Virginia is similar to that...and this is what Stan stated earlier, similar to that in Kentucky where the horizontal well was successful previously and analogs across the world we shell units of similar quality, some of which can only be economic if approached with horizontal drilling and in Virginia we simply see the same type of unit. We feel that horizontal well bores are the way to most economically approach this unit.

Q. Do you have any idea of the closest horizontal drilling unit that would...where the closest one would be in Virginia to this particular site or are these new to Virginia?

A. These are new to Virginia. To my knowledge, I believe that the first conventional units were established last month in front of the Board.

JOE HALL: Okay. That's all I have of him.

BENNY WAMPLER: Mr. Epling.

DAVID EPLING: Thank you, Mr. Chairman.

CROSS EXAMINATION

QUESTIONS BY MR. EPLING:

Q. Sir, could I get your last name again, please?

A. Weinreich.

Q. Could you spell that for me?

A. W-E-I-N-R-E-I-C-H.

Q. Sir, are you familiar with the Pine Mountain thrust fault?

A. Yes, I am.

Q. Okay. And are you also familiar with the Russell Fork fault where it intercepts with the Pine Mountain thrust fault?

A. Yes.

Q. And this location is very close to that, is that correct?

A. It is in reasonable proximity, yes, sir.

Q. Just due south of the Russell Fork fault, isn't that correct?

A. Right.

Q. Now, the well that you discussed as being Kentucky, that is north of the Pine Mountain thrust fault, isn't that correct?

A. That is correct. I believe it is north-east---

Q. So, it would be...I'm sorry, I didn't mean to interrupt you.

A. North...it's also to the east.

Q. Okay. And the northern section of the first fault goes under the southern section, is that correct?

A. That's correct.

Q. And so we really don't have any data regarding horizontal drilling on the south side of Pine Mountain, do we?

A. No, I'm sorry. North south of...Pine Mountain thrust, I believe, runs technically south west to north east, correct? So, by the southern...the south...southeastern portion is above the northwestern portion. The Pine Mountain thrust essentially stalls out or stops in the northeast direction where it becomes one continuous province if you'll have it. So, technically, I would say that the Martin County, Kentucky well is in the same general shell region as we're dealing with here.

Q. Are you familiar with the Cumberland Mountain Plateau?

A. Yes.

Q. And that is caused by the Pine Mountain thrust fault, would that be fair to say?

A. Sure.

Q. And so the mountains to the south are on the Cumberland Plateau?

A. Yes. You can see it that way.

Q. Okay. So, the wells over in Kentucky, they're not on the Cumberland Plateau?

A. You know, these...you know, some of these terms could be real loose and borders drawn different ways. So, as far as the physiographic provinces, you know, I'm not entirely familiar. I know that this does not largely effect the shell that we're talking about today.

Q. Sir, I'm looking at the Exhibit A in this case that was filed. Not the packet that was sent, but the Exhibit A that I had received I guess in the application. I think Mr. Kaiser was nice enough to point out to us that he has some triangles on it. That indicates previous wells. Is that your understanding?

A. Yes.

Q. So, in other words, there...where this

little triangle is at, there's already a gas well there?

A. That's correct. That's my understanding.

Q. That's one of Columbia Gas' wells, is that correct---?

A. Correct.

Q. ---as far as your understanding? And that well is also utilizing the same pool that this application is applying for, is that correct?

A. Yes, I believe so.

Q. Why would we need more wells of the same pool?

JIM KAISER: Are you sure they're completed in the same formation?

A. I'm sorry. Let me restate it.

DAVID EPLING: I'm sorry. I didn't hear what Mr. Kaiser was whispering to his witness.

BENNY WAMPLER: This is not a Court hearing. I'm not going to tolerate such exchanges like that.

Q. He was just---.

A. I'm sorry. I may have misspoke. I believe that these are all in the same formation, but I'm not exactly sure specifically to each well. Are typical well plan is to go to the Lower Huron in these wells.

Q. So, I guess my answer to my question is to

why was it we need a well...new wells in the same field---?

A. Simply, these wells do not contact reservoir... the reservoir in which we're talking about in this case.

Q. Two different gas reservoirs?

A. The same reservoirs, however, during completion and even natural contact with the reservoir such as with the horizontal well bore, we do not feel that we are communicating with the same reservoir within the similar shell unit.

Q. Do you know how deep the well is on the Exhibit A, 809644, by any chance?

A. I couldn't say for sure.

DAVID EPLING: Okay. That's all the questions I have, Mr. Chairman.

BENNY WAMPLER: Okay. I said I'd come back to you. You can't ask question because you're not a lawyer, but if you have a statement to make or you work through your attorney.

(Joe Hall confers with his client.)

STAN SHAW

FURTHER CROSS EXAMINATION

QUESTIONS BY MR. HALL:

Q. I believe you were telling me...or you mentioned earlier about the location of the vertical unit and you said you had coal owner approval of that location. Can you tell me when that was...when you received the coal owner approval for the vertical location...for the proposed vertical location?

A. I can't off the top of my head. I can let you know later today or tomorrow.

Q. Okay. If you would get that to me today that would be fine. Thank you.

BENNY WAMPLER: Mr. Kaiser.

JIM KAISER: I've got a couple more questions for Matt and then I'm going to come back to the land issue. You may even have to swear me in for that.

MATT WEINREICH

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. KAISER:

Q. Do you know when these wells were drilled, the three vertical wells? Do you think it was probably the early '70s?

A. That's very possible. I'm not a 100% sure.

Q. Okay. And do you know...do you even know for sure what zones they were completed in?

A. No, I do not. I was just simply speaking on behalf of the---

JIM KAISER: Okay. And then this is part, if you want to swear me in.

(Jim Kaiser is duly sworn.)

JIM KAISER: There are no existing vertical wells in this 320 acre unit that we're asking you to form. What you do see is three existing vertical wells that are represented by the triangles and they were drilled, I'm going to say, probably between 1972 and 1975. Now, when they were drilled, you didn't have...there was not statewide spacing and no anything. So, what companies like Columbia did in those days was they formed, under their lease with the pooling clause they formed voluntary units through unitization agreements and they were drawn along lease lines. The only reason that most of these folks, including Mr. Epling's client, were even notified of this hearing is because they have an interest in those old voluntary units and those old voluntary units come over into this 320 acre unit. Their noticed. They will receive their pro-rata proportioned share of the royalty under the unitization agreement and this will be treated as a well within that unitization agreement. The order...just to clear up any confusion, the order that he showed me had to do with

whether or not his client owned a two-thirds interest in that tract. It had absolutely nothing to do with whether or not Columbia, now Chesapeake's lease is valid. That's all.

DAVID EPLING: May I ask him some questions, Mr. Chairman?

BENNY WAMPLER: I'll give the Board the chance first. Does Board members have questions of any of these witnesses?

(No audible response.)

BENNY WAMPLER: You may ask a question.

DAVID EPLING: May I approach the witness, Mr. Chairman?

BENNY WAMPLER: Yes.

DAVID EPLING: Sir, I'm going to show you a lease that's on record in the Circuit Court of Dickenson County.

JIM KAISER: Yeah, you've already showed it to me.

DAVID EPLING: If you read the...what term of lease...how many years is that lease there?

JIM KAISER: No, the primary term of five years.

DAVID EPLING: And does it have a renewable clause in it?

JIM KAISER: Let's see. "...as long thereafter as oil or gas is produced."

DAVID EPLING: There is also a section highlighted

there. Would you read the section that is highlighted?

JIM KAISER: Where is that?

(David Epling points it out to Jim Kaiser.)

JIM KAISER: That talks about storage.

DAVID EPLING: I'm sorry?

JIM KAISER: That's payment for storage.

DAVID EPLING: I don't think so. I think it says that the---

JIM KAISER: Do you want me to read it for you?

DAVID EPLING: Yes, sir, I had asked...that's what I asked you to do is read it for me.

JIM KAISER: All right. I'm going to read the entire paragraph for you, okay. "This lease is for a term of five years commencing..."---

BENNY WAMPLER: I'll toss you both out if you keep this up.

JIM KAISER: Huh?

BENNY WAMPLER: I said, I'll toss you both out if you all start that.

JIM KAISER: ---"...commencing January the 13th, 1972 and as for long thereafter the lease premises or other lands with which the leased premises are part thereof is pooled or unitized or operated in the search for or production of oil or gas, or for as long as the same is..."

okay here we go "..., or for as long as the same is used for underground storage of gas and the removal thereof either through the operation of a well or wells on the above-described tract of land in the same storage field or as long as extended term by payment of rentals as hereinafter set forth." Let me read the rest of it. "It is expressly understood that the Lessee shall be the sole judge as to whether gas is being stored on said land, held in storage therein or whether said land is being used for the protection of stored gas. The Lessee's determination thereof shall be final and conclusive."

DAVID EPLING: Sir, basically, the lease gets extended if they pay their royalties and pay the rental rate, is that correct?

JIM KAISER: That's correct.

DAVID EPLING: And are you aware that Columbia Gas never paid Martha Jane Epling anything?

JIM KAISER: No, I'm not aware of that. Again, that's not the jurisdiction of this Board.

DAVID EPLING: Well, you said...you were the one saying the lease hadn't expired. I was just wanting to show that---.

JIM KAISER: I don't think it...do you got something showing me it has?

DAVID EPLING: It has expired. You hadn't paid any royalties...you have to pay the royalties and the rental before it can be---.

JIM KAISER: That's your...that's your word against... do you got some sort of Court order or some sort of letter from Columbia saying, "We release it." or some sort of letter saying, "You're right. We haven't paid you. It's no good." What do you got?

DAVID EPLING: Well, I've got Columbia's answers to the lawsuit.

BENNY WAMPLER: Okay. Gentlemen, gentlemen, we've had enough. We've now heard enough of this. We're going to make a decision for you right now.

JIM KAISER: Again, Mr. Chairman, I'd like to go on the record that none of that is relevant to the application that is pending before the Board.

BENNY WAMPLER: I...I agree with that.

JIM KAISER: Thank you.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor, signify by saying

yes.

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

STAN SHAW: Thank you.

BENNY WAMPLER: I'm not going to have this turned into a three ring circus.

JIM KAISER: I apologize.

BENNY WAMPLER: Next is a petition from Chesapeake Appalachia, LLC for establishment of a 320 acre conventional unit for drilling of horizontal wells. This is docket number VGOB-07-1016-2065. We'd ask the parties that wish to address the Board in this matter to come forward.

JIM KAISER: Mr. Chairman, for Chesapeake it will be Jim Kaiser, Dennis Baker, Stan Shaw and possibly Matt Weinreich.

JOE HALL: Mr. Chairman, Joe Hall, again, here with Teresa Thompson for Buchanan Energy Company, LLC.

BENNY WAMPLER: You may proceed.

JIM KAISER: Okay, Mr. Baker, we've got a little difference in this one. Again, we're asking for the formation of a 320 acre provisional unit for the purpose of

drilling horizontal conventional gas wells. In this particular case, the 96.74% of the unit is under a lease to Chesapeake from Buchanan Energy Company, which I guess is now Alpha. And then if I can draw everybody's attention to the lower southwest corner, you'll see a second tract in the unit...the only other tract in the unit. That's a Knox Creek...that's a tract in which Knox Creek Coal Corporation has an eleven-twelfth interest in the oil, gas and coal and Buchanan Realty has a one-twelfth interest. The Buchanan realty one-twelfth interest is leased to Chesapeake. The Knox Creek Coal Corporation eleven-twelfth at this time is not under lease.

DENNIS BAKER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Dennis Baker. I'm employed by Chesapeake Appalachia, LLC as senior landman.

Q. Now, why...obviously...in fact, I know I had filed one for one of my clients for next month. Obviously, we could have filed a application to form our 320 acre unit and then filed a an additional application to pool

this unleased interest. Can you explain for the Board why in this particular case we didn't do this?

A. We've been negotiating with Knox Creek Coal Company for probably four to six weeks now. They had submitted a lease to Chesapeake for review. Possibly within the next week or two we may have...we may have an agreement.

Q. Well, isn't it also a fact that they're also considering actually selling the minerals to us?

A. They had mentioned that. I have not received word on...on Chesapeake's response. That has been brought up.

Q. So, would it be accurate to state that if we do not have a lease on it by November the 16th, which would be the deadline for the December VGOB docket that we would file a pooling application for this unit?

A. That's correct.

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 any questions, Mr. Hall?

JOE HALL: I'll preserve mine for Mr. Shaw.

BENNY WAMPLER: Call your next witness.

JIM KAISER: Now, Mr. Shaw, if...he has got another handout for you. God bless him. I think it's exactly the same except for the very first page. So, we'll kind of leave it up to the Board as to what they want to hear.

BENNY WAMPLER: If you want your testimony incorporated except for the location of this, then that's something---

STAN SHAW: I would like that.

BENNY WAMPLER: ---you can propose.

STAN SHAW: I would like to incorporate that testimony.

BENNY WAMPLER: Is there any objection to incorporating the testimony. In other words, he's going to go through the same exhibits.

JOE HALL: Yeah. I have not objection.

BENNY WAMPLER: That will be incorporated. So, you can just tell us about the location then.

STAN SHAW: Exhibit C here is showing the general vicinity of this unit. The red arrows in the upper right corner is getting close to the West Virginia state line in addition to the Kentucky state line. All of the other exhibits are identical. This is the unit in particular

where we plan to do our monitoring experiment, the microseismic, which is the last slide shown before. We're still struggling to get any vertical well ready for that process.

JIM KAISER: And so there is...we are...you are going to do a vertical monitoring well that will be off to the west, I guess? Is that right?

STAN SHAW: That one or possible vertical well within the unit. The closer we can get through spacing the more likely that technology has of telling us the fracture length we need.

JIM KAISER: But that's for another time and another place because---?

STAN SHAW: Yes.

JIM KAISER: ---we'll have to come before the Board for that, right?

STAN SHAW: Yes.

MARY QUILLEN: Mr. Chairman, could I ask a question---?

BENNY WAMPLER: Ms. Quillen. Sure.

MARY QUILLEN: ---of Mr. Shaw? What is the location of this unit? Is it in the Hurley area? How---?

STAN SHAW: Hurley, that sounds familiar. It's (inaudible)---.

MARY QUILLEN: Up in that---.

JIM KAISER: The thumb?

STAN SHAW: The part of the county that reaches up
the thumb?

MARY QUILLEN: Yeah, uh-huh. Well, that's where
Hurley is.

STAN SHAW: Yes.

JIM KAISER: It looks like it's south of St. Rt.
646 if that helps you any.

MARY QUILLEN: Yeah, it's---.

STAN SHAW: We're kind of down in---.

JIM KAISER: That didn't help you any, did it?

MARY QUILLEN: That terrain---?

STAN SHAW: Yes, the terrain is horridus.

MARY QUILLEN: Yeah. And you're going to do a
vertical well there for your pilot---?

JIM KAISER: Actually, it would be...it would be
called a monitoring well.

MARY QUILLEN: A monitoring well, okay.

STAN SHAW: Yes.

MARY QUILLEN: And will this be...where this
monitoring well is, will this be in the area of where you're
going to do the horizontal well?

STAN SHAW: Yes. Matt could probably better

testify as to the necessary spacing on that, but it needs to be---.

MARY QUILLEN: That's a pretty challenging area is what I'm just thinking.

JIM KAISER: That sounds good. We won't be able to get hardly any surface locations. We'll have to do it all from one.

(Laughs.)

STAN SHAW: Would you like for me to go through any of the other slides again?

MARY QUILLEN: Unh-huh.

JIM KAISER: Do you want him to explain the monitoring thing or do you want to wait until we do that?

MARY QUILLEN: No, just go...I mean, he can do it, you know, when you do that.

JIM KAISER: When we bring that to you?

MARY QUILLEN: Yeah. I'm just thinking about the location...where the location is.

JIM KAISER: The terrain is pretty bad.

BILL HARRIS: Mr. Chairman, in your Exhibit A there is a Hurley mentioned there, I guess, in red...the handout Exhibit A down at the...about a fourth of the way into...it's below the window that we're talking 320 acre. Now, is that the general location or is that...I mean---

JIM KAISER: I assume that's pretty much where the town is.

MARY QUILLEN: Yeah, it is.

BILL HARRIS: Where the town is?

MARY QUILLEN: It is because up here in this area right here in Buchanan County is where it's a pretty rugged area up there.

BILL HARRIS: Yeah. Okay. I was just saying they had a Hurley down there.

MARY QUILLEN: Uh-huh. This is probably north of the little town and where the school is and everything---

JIM KAISER: Right.

BILL HARRIS: Okay. Thank you.

MARY QUILLEN: ---in Buchanan County.

BENNY WAMPLER: Okay, Mr. Hall.

JOE HALL: I'm Joe Hall, again, for the record.

CROSS EXAMINATION

QUESTIONS BY MR. HALL:

Q. Mr. Shaw, my questioning this time is going to be a lot shorter. Just some more confirmations for our purposes. Again, primarily we're concerned with the protection of our coal miners and the future development of the coal reserves in this unit, as well as the protection of

Buchanan Energy's rights and the coalbed methane gas in this unit as well. So, first, what I wanted to do is just have you confirm on the record that all drilling in the vertical well bore will go through the coal seams before any curvature of the piping just like it was in the other one.

A. That's correct.

Q. Okay. Will the well bores be cased off through the coal seams so that there's no communication between the line and the coal seams?

A. The coal seams will be cased off.

Q. The coal seams will be cased off?

A. Yes.

Q. Okay. The...you mentioned the wells that are proposed right now. Is the monitoring well, well number PP-1HMW?

A. That would be the horizontal well.

Q. The horizontal well?

A. Yes.

Q. Okay. Were you aware of another well PP-1H? Is that the monitoring well or the ones...can you tell me between these two wells how they interact together, what the relation to each other and if there's any communication between the two wells?

A. First, neither of them exist. We don't

expect any communication in the formation. The purpose of it is for the listening devices. Then after that process, the well will be completed as a conventional vertical well and we'll be able to produce gas.

Q. Okay. So, PP-1HMM is the monitoring well initially and then it becomes the vertical well?

JIM KAISER: Then it can become a vertical well.

JOE HALL: Then it can...well, yeah. But right now it's the monitoring well?

JIM KAISER: That's got to be right. That's got to be what the M is for, I'd say.

JOE HALL: Okay. MW?

JIM KAISER: Yeah.

JOE HALL: What is the PP-1H? Is that just another---?

JIM KAISER: That's the horizontal well.

JOE HALL: That's the horizontal well?

A. Yeah. That's not how I refer to wells, but it does make sense to have the well numbers that they're assigned.

Q. Okay. And how do they work together? Can you just explain for me and the Board's benefit how they're going to work together initially?

A. For the microseismic experiment or---?

Q. Yeah. What I have...whatever you're planning on doing with it at this point.

A. That's the only link whatsoever between the wells is for us to collect information that we need to optimize the spacing of future horizontal wells.

Q. Okay.

A. How far frac the (inaudible).

Q. Are those the only two planned wells right now?

A. Yes.

Q. Okay. All right. And, again, just for this purpose, and the Board touched on it and the Chairman had touched on it earlier, just that...I just wanted to make sure that this order does not interfere with any coal owner veto rights?

BENNY WAMPLER: That's really permitting issue. I should have deferred earlier to Mr. Wilson, but I will let him ask..answer that.

BOB WILSON: You actually gave the answer that I would. The Board orders do not override any statutory requirements. That includes the 2500 foot requirement and the coal owner's ability to object to the permit application. It also does not...there's nothing that overrides the requirement for casing through the coal seams

and the protection of the coal seams.

JOE HALL: Okay. And with...in that same token, this order or none of the orders here today are going to interfere with any contractual casing obligations contained in any lease contracts? Would that be correct?

BOB WILSON: The order will not...any deviation from the statutory or regulatory required casing programs would have to be submitted for approval even if they're contractual.

JOE HALL: That's all. Thank you, Mr. Chairman.

BENNY WAMPLER: Do you have anything further?

JIM KAISER: No, Mr. Chairman. I'd ask that the application be approved as submitted.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

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

BENNY WAMPLER: Mr. Ratliff abstains. You have approval. Thank you. Next is a petition from GeoMet-.

JIM KAISER: Do you want to go back to mine so you can get me out of here?

MARY QUILLEN: Number twenty-two?

JIM KAISER: Yeah. Do you go back to my last one?

BENNY WAMPLER: What is your last one?

JIM KAISER: Twenty---.

BENNY WAMPLER: Twenty-two.

MARY QUILLEN: Twenty-two.

BENNY WAMPLER: Is your witness here?

JIM KAISER: Yes, I believe so.

BENNY WAMPLER: I'm sorry. They had one that we were waiting on---.

JIM KAISER: Is my witness here?

(No audible response.)

BENNY WAMPLER: Sorry, we'll get you next. We're going to number twenty-two on the Board's agenda. It's a petition from Equitable Production Company for modification of Nora Coalbed Gas Fields to allow drilling of an additional well in unit BI51, BJ52 and BK51. This is docket number VGOB-89-0216-0009-18. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Now, Mr. Chairman and Board members, Jim Kaiser, Rita Barrett and Ryan Crow on behalf of Equitable Production Company. I think we've got some housecleaning, Rita, on this don't we?

BENNY WAMPLER: We need to get you sworn in.

(Rita Barrett and Ryan Crow are duly sworn.)

(Exhibits are passed out.)

(Jim Kaiser confers with Rita Barrett.)

BENNY WAMPLER: Okay. You may proceed.

JIM KAISER: We'll call Ms. Barrett first.

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Rita Barrett, Landman 3 for Equitable Production Company.

Q. Okay. Today, this application, we're asking to modify the existing Nora Coalbed Gas Field to allow for an additional...one additional well to be drilled in each of these three units, that being BI-52, BJ-52 and

BK-51.

A. That's correct.

Q. And could you explain the ownership and lease situation for those three units?

A. It's a 100% leased. The Columbus Phipps Foundation two-thirds and Carol Buchanan one-third.

Q. Okay. Is there any other testimony that you want to go through in accordance with the exhibits that we passed out?

A. No.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

RYAN CROW

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Now, Mr. Crow, this is your first time testifying before the Gas and Oil Board, correct?

A. Yes, sir, it is.

Q. If you would for us then please, if you would briefly go through both your educational history and your professional background?

A. I graduated from Montana Tech with a B.S. in Petroleum Engineering. I worked in the Sanwain Basin and I later came to the Appalachian Basin. I've been a operations engineer for the previous three years.

Q. And your current experience is actually... you are actually the...I think maybe the head engineer for this increased density program?

A. The operations engineer manager.

Q. Operation engineer manager?

A. Yes.

Q. Okay. If you would, we've done I guess maybe six or seven of these to-date. But if you would go through our story so to speak as to why we are asking the Board's indulgence here and why we think it's a good idea for not only Equitable as the operator, but also the royalty owners.

A. What you can see here if you flip back two pages back to the production file for what we're seeing so far in te Lick Creek area. Lick Creek is one of our better production areas in Nora as far as CBM production is

concerned. You can see...you can see in the green what I like to call the base wells. These are the preexisting wells, the non-infill wells. And then in the red, you can see what the impact has been as we have drilled infill wells into the Middle Fork area. To-date the Middle Fork, the next page, today it looks like the EURs of our first wells are averaging 455 mmcf per well. The second infill wells are adding another 295 mmcf per well, which is going to allow us to obtain a higher amount of gas from that...from each unit and that's an estimated 750 mmcf per the 60 acre unit.

BILL HARRIS: Excuse me, just...let me just ask, could you define for me...the EUR, is that estimated---

RYAN CROW: Estimated ultimate recovery.

BILL HARRIS: Ultimate recovery. Okay, thank you.

A. We find that the...we find that this...as to- date been a very economic project for Equitable. I think this is good for Equitable. It's good for the state in terms of tax revenue.

Q. Well, actually the county.

A. Well, the county in terms of tax revenue.

Q. That's even better.

A. Obviously, it's good for the work force and the labor involved in drilling these additional wells. I

hope that was all I was going to spout here.

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman. This actually may not be the time to ask this. It's asking actually sort of an opinion. We're seeing an increase in production from increased density in this area. Of course, earlier today we've had testimony concerning horizontal drilling. Are these sort of competing things in terms of increase in production? I mean, it appears to me that they are. Is there any one that seems to loom in the horizon that, oh, this is a better way to go?

RYAN CROW: I think right now the horizontal technology is still in its infancy.

BILL HARRIS: Okay.

RYAN CROW: It's going to be ver difficult in coalbed methane production. In fact, Equitable does have a horizontal CBM well. That has been very problematic in terms of pumping the water out of---

BILL HARRIS: Out of this...yeah.

RYAN CROW: ---the horizontal and the CBM wells--.

BILL HARRIS: Yeah, you almost have to.

RYAN CROW: ---and they average about three barrels a day. So, that's kind of...I think that Equitable

is trying to determine a way to drill a horizontal CBM well, but as of yet we're just not quite technologically where we need to be.

BILL HARRIS: Yeah, okay.

RYAN CROW: So, this becomes really the only good viable alternative.

BILL HARRIS: Thank you. Thank you.

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.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Could you people cover what you're asking for insofar as drilling in the window and out of the window and this sort of thing and what kind of restrictions you need to put on here---?

JIM KAISER: Yes, I'm sorry.

BOB WILSON: ---so we don't get into that again?

JIM KAISER: I'll put Ms. Barrett back on for that.

RITA BARRETT

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. KAISER:

Q. Correct me I'm wrong, Rita, but I believe that both the additional well for BI-51 and the additional well for BJ-52 will both be in the interior window, in other words, the 300 foot set back, is that correct?

A. Actually, it's BI-52 and BK-51.

Q. Okay. And BJ-52 we're fooling with that location now, but right now it appears to be slightly outside the interior window and we intend to issue...give you a map and a letter in the permitting process to take care of that problem?

A. We moved that well yesterday to prevent any issues with correlative rights.

BOB WILSON: Okay. So, basically then, what you're telling me is that when the order is issued it needs to be modeled on our standard infill order that requires that either both wells be within the interior window or the second well has to be within an equal sized square and it has to be surrounded by voluntary---

JIM KAISER: In which there are no correlative rights issues.

BOB WILSON: No correlative rights issues, yes.

JIM KAISER: Exactly.

BOB WILSON: Okay.

BENNY WAMPLER: Good cleanup. Any further?

JIM KAISER: I apologize.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: 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. What about
item six, Pine Mountain?

JIM KAISER: What is it?

BENNY WAMPLER: Pine Mountain. I'm going to go on
to ones that are set. I'm going to call GeoMet and we'll
figure that out.

JIM KAISER: That's not me.

BENNY WAMPLER: Okay. This is a petition from
GeoMet Operating Company for pooling of coalbed methane unit
RRR-36, docket number VGOB-07-1016-2066. We'd ask the

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

TOM MULLINS: On behalf of GeoMet, my name is Tom Mullins with the Street Law Firm in Grundy and with me here today is Mr. Jeff Taylor, employee of GeoMet.

GEORGE MASON: George Mason, attorney. I represent LBR Holdings, LLC here in support of GeoMet's petition for force pooling.

BENNY WAMPLER: I need to get you sworn.

(Jeff Taylor is duly sworn.)

JEFFERY HOWARD TAYLOR

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

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your full name for the Board?

A. Jeffery Howard Taylor.

Q. And by whom are you employed?

A. GeoMet Operating Company.

Q. What are your job duties with GeoMet?

A. Project manager of Virginia and West Virginia operations.

Q. Are you familiar with the application for Oakwood Field unit RRR-36?

A. Yes.

Q. How many acres are there in that unit?

A. 44.71.

Q. Is this one of the units that is a border unit adjoins the State of West Virginia?

A. Yes.

Q. And when this application was originally filed, it was filed based upon...at least the exhibits, based upon an 80 acre unit incorrectly, is that accurate?

A. Correct.

Q. Corrected exhibits were subsequently mailed out that accurately depicted the size of the unit and broke all those items down for the Board for the 44.71 acre unit, correct?

A. Yes.

Q. Does GeoMet have drilling rights in this unit?

A. Yes.

Q. Is there anybody...any party respondent listed on Exhibit B-3 that should be dismissed?

A. No.

Q. What is the percentage of coal ownership

that GeoMet has under lease?

A. 100%.

Q. And what about the gas ownership?

A. 76.6775%.

Q. Was notice sent to those parties entitled to receive notice pursuant to Virginia Code Section 45.1-361.19 by certified mail return receipt requested?

A. Yes.

Q. And we have today delivered those return cards to Mr. Wilson, is that correct?

A. Yes.

Q. Is GeoMet authorized to do business in the Commonwealth of Virginia?

A. Yes.

Q. And does GeoMet have on file with the Department a blanket bond as required by statute?

A. Yes.

Q. Could you describe for the Board what are the terms offered by GeoMet to those who voluntarily enter a lease agreement with GeoMet?

A. Twenty dollars per acre for a five year paid up lease with a one-eighth royalty.

Q. In your opinion as a professional in the gas industry, is this a fair and reasonable lease term?

A. Yes.

Q. What is the percentage of the oil and gas estate that GeoMet is seeking to pool here today?

A. 23.3225%.

Q. Okay. And what about the coal estate?

A. 0.

Q. Are there any unknown owners?

A. Not to our knowledge.

Q. Okay. Are there any parties whose interests are in dispute?

A. Yes.

Q. Who are those parties?

A. LBR Holdings and the Pullious Cousins.

Q. Okay. We've represented before the Board before we call them the Rogers Cousins.

A. The Rogers Cousins. I'm sorry, yes.

Q. Okay.

A. I apologize.

Q. That's okay. Which tracts are the tracts that are involved?

A. 1 and 2.

Q. Okay. What are the percentages of the unit for those two tracts that are in dispute?

A. Tract 1 is 11.385% and Tract 2 being

11.9375%.

Q. Have we caused an Exhibit E to be filed that shows the conflicting ownership?

A. Yes.

Q. Is GeoMet requesting that the Board pool the unleased interest in this unit?

A. We are.

Q. Do you have the address and identity of the person that anyone should contact in regards to making a statutory election provided?

A. Yes. It would be Joseph L. Stevenson. He's the land manager. GeoMet Operating Company, Inc., 5336 Stadium Trace Parkway, Ste. 206, Birmingham, Alabama 35244.

Q. All right, sir. And as part of your job duties, did you supervise the preparation of an estimated well cost for this application?

A. Yes.

Q. What is the total depth of this well?

A. 2,280 feet.

Q. Now, the estimated reserves were initially listed at 676 mmcf based upon the 80 acre unit. What are the estimated reserves for the smaller unit?

A. 348 mmcf.

Q. What are the estimated well completion

costs?

A. \$418,050.

Q. The dry hole costs?

A. \$178,750.

Q. Has an exhibit...pardon me. Is there a problem?

BENNY WAMPLER: Well, we don't...we don't have that. Mr. Wilson, may need to be sure.

TOM MULLINS: Let me put my finger on it and I'll submit it. Can I finish my---?

BENNY WAMPLER: The AFE is what we don't have. We have everything else.

TOM MULLINS: Right. I've got the AFE. I have a copy. I apologize.

JEFFERY HOWARD TAYLOR: Estimated well costs instead of AFE.

TOM MULLINS: Terminology.

Q. All right. Are you asking the Board to accept that exhibit as an exhibit to your application?

A. We are.

Q. Okay.

BILL HARRIS: Excuse me, Mr. Chairman. Could we repeat those figures again since we didn't have---?

TOM MULLINS: Sure.

BILL HARRIS: We were searching at the time.

TOM MULLINS: I apologize.

Q. His testimony was---

A. \$418,050 for the completed well costs.
\$178,750 for the dry hole costs.

Q. Okay.

MARY QUILLEN: And the depth?

A. 2,280 feet.

DONNIE RATLIFF: That's different from what's in
the---

BOB WILSON: Mr. Chairman, I'll confirm that the
cost estimates are in accordance with the AFE that they have
supplied. However, the depth is not. The depth shown on
the AFE is 2,454 feet.

BENNY WAMPLER: Which is what's in the
application.

MARY QUILLEN: What's in the application.

JEFFERY HOWARD TAYLOR: I think I have the
corrected 2,280 feet. I apologize. I will verify that.

TOM MULLINS: All right.

JEFFERY HOWARD TAYLOR: That's a (inaudible).

GEORGE MASON: It was misspelled.

TOM MULLINS: Misnumbered it sounds like.

Q. Does the estimated well costs, as submitted

on the exhibit just tendered to the director, include a reasonable charge for supervision?

A. It does.

Q. In your opinion, again, as a professional, would the granting of this application promote conservation, protect correlative rights and prevent waste?

A. It would.

TOM MULLINS: I have no further questions unless the Board needs anything further.

BENNY WAMPLER: What about the election options?

TOM MULLINS: Statutory election options as set forth in the application.

BENNY WAMPLER: Did you do that?

TOM MULLINS: Yes.

BENNY WAMPLER: I'm sorry. I'm just---.

TOM MULLINS: I apologize.

BENNY WAMPLER: ---trying to get it together here a little bit and making sure we don't mess up.

DONNIE RATLIFF: Mr. Chairman, if I understood Jeff right, on gross acreage on Tract 1 and Tract 2, you've got 11---.

JEFFERY HOWARD TAYLOR: 11.385% in Tract 1.

DONNIE RATLIFF: It's showing 20.36.

TOM MULLINS: He's talking about what's in

dispute.

JEFFERY HOWARD TAYLOR: In dispute.

DONNIE RATLIFF: Oh.

JEFFERY HOWARD TAYLOR: Yeah, it's---.

TOM MULLINS: The gross acreage in dispute in Tract 1 is 5.090234 and in Tract 2 the---

DONNIE RATLIFF: That's the Rogers brothers?

TOM MULLINS: Right...cousins.

DONNIE RATLIFF: Cousins.

TOM MULLINS: Tract 2 is 5.337256%.

DONNIE RATLIFF: Okay.

BENNY WAMPLER: And that's what you have in Exhibit E.

BILL HARRIS: Well, in that same vein, let me just ask you a question about the plat. The dotted...the heavy, bold dotted line, I don't see a legend for that.

JEFFERY HOWARD TAYLOR: I think that's the 1,000 foot...750 foot radius, I'm sorry.

BILL HARRIS: No, no, I'm sorry. This large---?

JEFFERY HOWARD TAYLOR: Oh, that would be the state line. The right?

BILL HARRIS: No, no, we're still talking something different. This is a closed---

PEGGY BARBAR: It looks like a closed R.

BILL HARRIS: I'm talking about this that comes out.

JEFFERY HOWARD TAYLOR: That's...that's the unit as the 44.71 acres.

TOM MULLINS: This is a state border unit.

JEFFERY HOWARD TAYLOR: State border unit.

TOM MULLINS: So, the state line cuts off---

MARY QUILLEN: Around there it's the state line---

JEFFERY HOWARD TAYLOR: Yes.

TOM MULLINS: Correct.

GEORGE MASON: That's West Virginia.

MARY QUILLEN: Yes.

BILL HARRIS: Well, okay...well.

TOM MULLINS: West Virginia is to the---

JEFFERY HOWARD TAYLOR: East.

TOM MULLINS: ---east and that's what cut that unit in two....really almost in two.

BILL HARRIS: So, where it has RRR-36 Rogers that part is written...this is West Virginia out this way?

TOM MULLINS: Can I borrow this---

BILL HARRIS: Oh, okay. No, it---

TOM MULLINS: This is West Virginia right---

BILL HARRIS: ---just made sense, okay. Okay,

yeah. Yeah. That actually is the---

MARY QUILLEN: That's that thumb we were talking about a few minutes ago.

JEFFERY HOWARD TAYLOR: There you go.

BILL HARRIS: Okay. Sorry, sorry. Okay.

BENNY WAMPLER: They have a lot today.

BILL HARRIS: It has been a long one. Sorry. I knew we needed that map after lunch.

BENNY WAMPLER: Do you have anything further?

TOM MULLINS: No, sir.

BENNY WAMPLER: Mr. Mason, anything further?

GEORGE MASON: No questions.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Thank you.

TOM MULLINS: Thank you, Mr. Chairman. Thank you,

Board.

BENNY WAMPLER: Do you all want to take a five minute recess?

(No audible response.)

BENNY WAMPLER: We'll take five minutes.

(Recess.)

BENNY WAMPLER: 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: Tim Scott, Jerry Grantham and Phil Horn for Pine Mountain Oil and Gas.

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

(Jerry Grantham are duly sworn.)

TIM SCOTT: We're going to...I call Mr. Phil Horn as my first witness.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

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. I'm in charge of all land related activities and getting wells drilled.

Q. And are you familiar with this application?

A. Yes, I am.

Q. Pine Mountain has an ownership of oil and gas in this unit, is that correct?

A. That's correct. We own approximately 76 & 1/2% of the oil and gas and there's about 18 smaller tracts comprised of approximately 23 & 1/2% of the oil and gas.

Q. And that's reflected on revised Exhibit A, is that correct?

A. That's correct.

Q. Now, as far as the reciprocal wells, who operates P-247 and B-3953?

A. Equitable Production Company.

Q. And does Pine Mountain have the right to participate in that?

A. Yes, we do.

Q. Now, as far as the revised Exhibit B, do we have some unknown parties in that?

A. Yes.

Q. Okay. And how were the parties notified or the respondents notified of this hearing today?

A. By certified mail and by publication in the Bluefield Daily Telegraph.

Q. Have the proofs of publication and proofs of mailing been provided to Mr. Wilson?

A. Yes, they have.

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

BENNY WAMPLER: Questions from members of the Board of Mr. Horn?

(No audible response.)

BENNY WAMPLER: Call your next witness.

TIM SCOTT: I would like to alert the Board of one thing. We...my office prepared the Exhibit B. The revised Exhibit B was sent to the parties listed on Exhibit B and then we realized that we had to do a second revised Exhibit B because one of the tracts the ownership had been shown not incorrectly but incomplete, so we fixed that. Mr. Horn, as far as parties who need to be notified, no additional parties were required to be notified, is that right?

PHIL HORN: That's correct.

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

BENNY WAMPLER: Okay.

JERRY GRANTHAM

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, would you please state your name?

A. Jerry Grantham.

Q. And by whom are you employed?

A. Pine Mountain Oil and Gas.

Q. And what is your job description?

A. I'm vice president.

Q. Did you participate in the preparation of this application now pending before the Board?

A. Yes, I did.

Q. And would you please explain to the Board why Pine Mountain is seeking a well location exception for this particular well?

A. We're seeking an exception to drill well 537913 to prevent the loss of stranded reserves.

Q. And that's reflected on Exhibit C provided to the Board, is that correct?

A. Yes, that's correct.

Q. Okay. What is the proposed depth of this

well?

A. This depth is proposed to go to 5280 feet.

Q. And if this application is not granted, what would be the potential loss of reserves?

A. 350 million cubic feet.

Q. And then why should the Board approve this application?

A. This application should be approved to prevent waste. The green area on Exhibit C represents approximately 98 acres that is currently not in an existing unit and currently not...reserves and acreage that's not being drained. It would also...drilling this unit would prevent waste and protect correlative rights of those interest owners under that unit.

TIM SCOTT: Okay. 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?

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, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

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

TIM SCOTT: Thank you.

BENNY WAMPLER: Mr. Ratliff abstains. Okay, we're going to go back now to forty-three. This is a petition from Pine Mountain Oil and Gas for well location exception for proposed well V-530011, docket number VGOB-07-1016-2067. 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 are...Pine Mountain is withdrawing that application.

BENNY WAMPLER: Next is a petition from Pine Mountain Oil and Gas for a well location exception for proposed well V-530020, docket number VGOB-07-1016-2068. 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.

(Tim Scott passes out an exhibit.)

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you again state your name and by whom you're employed?

A. My name is Phil Horn. I'm district landman for Pine Mountain Oil and Gas. I'm in charge of the land department and all land related activities.

Q. Did you participate in the preparation of this application now pending before the Board?

A. Yes, I did.

Q. And are you familiar with the ownership of the oil and gas for this unit?

A. Yes, I am. Pine Mountain Oil and Gas owns 99.14% of the oil and gas and there's a third party leased to Equitable. Rural Fuller, Equitable a partner by the way, owns .86% of this unit.

Q. And who operates P-208, BAD-3685 and V-2016?

A. Equitable Production Company.

Q. Does Pine Mountain also participate in the operation of that well?

A. Yes, we do.

Q. How was notice affected that this hearing would take place today?

A. It was by certified mail.

Q. And has proof of mailing been provided to Mr. Wilson?

A. Yes, it has.

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

Q. Mr. Horn, on...we provided to the Board a revised Exhibit B. In that particular case, again, my office prepared this, we overstated the ownership on Tract 3 as Alpha and Dickenson-Russell. So, we've corrected that on Exhibit B to show Rural Fuller as the owner of that particular tract. That's correct?

A. That's correct.

Q. Now, that I've testified.

TIM SCOTT: That's all 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, would you again state your name?

A. Jerry Grantham.

Q. And by whom are you employed?

A. Pine Mountain Oil and Gas.

Q. And your job description?

A. I've vice president.

Q. And did you participate in the preparation of this application?

A. I did.

Q. By using Exhibit C, would you explain to the Board why we're seeking a location exception for this particular well?

A. Exhibit C shows the proposed location exception 530020. The 1250 foot radius is shown on this exhibit. The green area that's shaded in between the other three wells is the area that's currently not under any existing unit and, therefore, a stranded acreage. This acreage is approximately 83 acres. We're proposing that we be allowed to drill this well so that that acreage and the

gas underneath that acreage can be produced.

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

A. This well is proposed to a depth of 6165 feet.

Q. And what would be the potential loss of reserves if this application were not approved by the Board?

A. 450 million cubic feet.

Q. And why should the Board approve this application as we've submitted it?

A. The Board should approve this application to promote conservation of the gas resource and, therefore, preventing waste, maximize the production and to protect the correlative rights of the owners.

TIM SCOTT: Thank you. That's all I have for Mr. Grantham.

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

BILL HARRIS: Just a quick question.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: The other two wells, 750106 and 702016, were both of those operated or you were participating in those operations?

JERRY GRANTHAM: That is correct.

BILL HARRIS: I guess I was just curious about if

we were going to fill a space, should we eat that up a little bit to the north to cover some other area.

JERRY GRANTHAM: You're saying E cup or move 520020 to the north. If you look, we have the topographic map sort of in a lighter shade of I guess it's a greyish green on there.

BILL HARRIS: Yes.

JERRY GRANTHAM: If we move to the north, we're moving off of a spur into sort of a steep ravine area.

BILL HARRIS: Yeah, I see that.

JERRY GRANTHAM: So, we located that well on the spur to minimize the amount of disturbance that we would have to do.

BILL HARRIS: Okay. Gotcha. Thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TIM SCOTT: No, sir.

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 members signify by saying yes, but Donnie Ratliff.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

DONNIE RATLIFF: Abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Mr. Ratliff. Next is a petition from Pine Mountain Oil and Gas for a well location exception for proposed well V-530016. This is docket number VGOB-07-1016-2069. 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 Pine Mountain...and Phil Horn for Pine Mountain Oil and Gas.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name for the Board?

A. My name is Phil Horn. I'm the district landman for Pine Mountain Oil and Gas, Inc.

Q. And did you participate in the preparation

of this application now pending before the Board?

A. Yes, I did.

Q. Are you familiar with the ownership of the oil and gas underlying this unit?

A. Yes. Pine Mountain owns 100% of the oil and gas in this unit.

Q. Who operates well numbers P-391, P-550450 and P-435?

A. Equitable Production Company.

Q. Does Pine Mountain also participate in the operation of those wells?

A. Yes, we do.

Q. As far notice of this hearing, how as that affected?

A. By certified mail.

Q. Was...has proof of mailing been provided to Mr. Wilson?

A. Yes, it has.

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

BENNY WAMPLER: Just...just for clarification, the Exhibit C that you gave us, rather than using the P numbers, it's 550450 and 750391---.

TIM SCOTT: Okay.

BENNY WAMPLER: ---and 750435.

TIM SCOTT: Thank you.

BENNY WAMPLER: Call your next witness.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, would you state your name, please?

A. Jerry Grantham.

Q. And by whom are you employed?

A. Pine Mountain Oil and Gas.

Q. And your job description?

A. I'm vice president.

Q. Did you also participate in the preparation of this application?

A. Yes, I did.

Q. Please explain to the Board why Pine Mountain is seeking a well location exception for V-530016.

A. We're seeking a location exception for this well to produce the stranded acreage and reserves that underlie this unit.

Q. What's the total of the stranded acreage?

A. It's 81 acres.

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

A. 6230 feet.

Q. And what would be the potential loss in reserves if this application is not approved?

A. 500 million cubic feet.

Q. Why then should the Board approve this application?

A. It should be...this application should be approved to promote the conservation of the gas resource, prevent waste and to protect the correlative rights of the owners that underlie this unit...proposed unit.

TIM SCOTT: That's all the questions 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---.

PEGGY BARBAR: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

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

BENNY WAMPLER: Opposed, say no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BENNY WAMPLER: You have approval. One
abstention, Mr. Ratliff. The Board has received the
minutes. Thank you all.

TIM SCOTT: Thank you.

PHIL HORN: Thank you.

BENNY WAMPLER: Have received the minutes from the
last meeting.

DONNIE RATLIFF: Motion to approve.

BENNY WAMPLER: I have a motion to approve. 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.

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

(Laughs.)

DONNIE RATLIFF: I withdraw that.

BENNY WAMPLER: We have public comment period. Is there anyone here that wish to make a comment to the Board?

(No audible response.)

BENNY WAMPLER: Hearing none, this hearing is adjourned. Thank you.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 6th day of November, 2007.

NOTARY PUBLIC

My commission expires: August 31, 2009.