

IN THE COUNTY OF WASHINGTON

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

NOVEMBER 18, 2007

APPEARANCES:

BOARD MEMBERS:

MARY QUILLEN - PUBLIC MEMBER
BILL HARRIS - PUBLIC MEMBER
PEGGY BARBAR - PUBLIC MEMBER
KATIE DYE - PUBLIC MEMBER

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

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

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

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

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

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

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

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

BENNY WAMPLER: Thank you. If you have blackberries, cell phones and all of those, just a reminder to cut those off, please. The first item on the agenda is a petition from Equitable Production Company for modification of the Nora Coalbed Gas Field Rules to allow for drilling of an additional well in unit BU42. This is 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. Good morning, Mr. Harris.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser, Gary Baxter, Ryan Crow and Rite Barrett on behalf of Equitable. We'd ask that they be sworn at this time.

(Gary Baxter, Ryan Crow and Rita Barrett are duly sworn.)

BENNY WAMPLER: Before you go on, I'll just ask Mr. Harris to introduce himself.

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

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

JIM KAISER: We'll start with Ms. Barrett.

RITE BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, in this particular application, we continued it from October because after filing our application for an increased density well in October, we discovered some additional tracts and the owners

in the unit that we had noticed for the October hearing, is that correct?

A. That's correct.

Q. And in this particular unit, are all royalty interest owners either under lease or they're going to be force pooled later today in item number three on the docket, is that correct?

A. Yes. Mr. Hall will take care of item three to force pool the unleased interest.

Q. And we'll going to have two wells in this unit, the regular well and the increased density well and both wells will be within the interior window, that being the 300 foot set back, is that correct?

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: Call your next witness.

GARY BAXTER

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baxter, if you would state your name, who you're employed by, and since you have not previously testified before the Board, if you would just briefly go through both your educational background and your work history?

A. My name is Gary Baxter. I work for Equitable Production Company based out of our Charleston office. I graduated from West Virginia University in May of 2007. I previously worked for Equitable for three summers. I work full time now as an operations engineer.

Q. Okay. Could you...this area that we're doing these increased densities in, this will be one of your areas of operation?

A. Yes.

Q. Okay. And we're seeking to drill a...two wells, actually, within the interior window of this Nora unit and we're seeking to modify the Nora Coalbed Gas Field Rules to allow us to do that, is that correct?

A. Yes.

Q. Now, in conjunction with the package of information that you've passed out, explain to the Board why we're requesting this and why we think it's a good idea.

A. Okay. First off, I'd like to say that this packet, we're going to use this again for docket number fourteen on this sheet. So---

JIM KAISER: Yeah, what you've got is information for both item number one and then item number fourteen, which is the other application that we have for an increased density well.

BENNY WAMPLER: And as you go through these, if you'll label the exhibit.

JIM KAISER: Okay.

BENNY WAMPLER: Each page is a different exhibit.

GARY BAXTER: The first..the first sheet that you'll see is Exhibit A. This is just a map showing unit BU42. Ignore the Exhibit B. We'll use that in further... Exhibit C, this is just a map showing other units that we've asked and were granted for a second well to be drilled in the units. Those are shaded in grey. As you see, south of the Middle Fork shading is BU42, which we're asking for your permission today for.

MARY QUILLEN: Mr. Chairman. You said ignore---

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---Exhibit---

GARY BAXTER: This is going...the second page.

JIM KAISER: It's going to go with item number

fourteen.

BENNY WAMPLER: The second page is B?

MARY QUILLEN: Okay. You said Exhibit B.

That's---

BRYAN CROW: It's labeled as Exhibit A.

MARY QUILLEN: It's labeled Exhibit A.

GARY BAXTER: Okay.

BRYAN CROW: It's going A with the second packet.

MARY QUILLEN: It's with a different---?

GARY BAXTER: Yeah.

JIM KAISER: Yeah, it's A to the application---

MARY QUILLEN: Okay.

JIM KAISER: ---for item number fourteen.

MARY QUILLEN: Okay. So, this...this one will be

then B?

GARY BAXTER: Right.

BENNY WAMPLER: This one is C.

PEGGY BARBAR: He's calling it C.

MARY QUILLEN: Did you call it C?

GARY BAXTER: C...C.

MARY QUILLEN: Okay. So, there won't be no B for
this one, okay.

GARY BAXTER: D is a graph showing the Middle Fork
CBM. These are the sixteen units that we've already asked

permission for. The green line is showing first well production and the red line is showing the second well plus the first well's production and the incremental rate is 1.4 mmcf per day. The next page, Exhibit D, is showing...a production plot showing Lick Creek CBM wells. There's eleven units.

BENNY WAMPLER: Wait just a second. You said---

MARY QUILLEN: Wait a minute.

BENNY WAMPLER: ---D and it's E.

GARY BAXTER: Oh, E. I'm sorry. This is Lick Creek CBM. There is eleven units. The green line again is showing the first wells only production the second...the red line is showing the first well plus the second well in incremental rate of .9 mmcf per day. Exhibit F is showing Middle Fork both C & D EUR calculation. In the first well, EUR is 318 mmcf with the addition of the second well which we are saying is going to be 207 mmcf. That would give the total unit EUR of 525 mmcf per the 60 acre unit.

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. KAISER:

Q. So, based on your packet there and our exhibits, it would be from a...I guess not being an engineer or a reservoir engineer or a geologist from a lay person's

point of view, it's obvious that this increased density drilling is working in that it's providing additional production over and above the first well to the extent where it's beneficial to the operator to expend that extra capital and it's benefitting not only the operator but the royalty owner and the county with increased severance tax. Would that be---

A. Correct.

Q. ---a correct assessment?

A. Yeah.

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

BENNY WAMPLER: Questions from members of the Board?

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

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---one for information. If I could refer to your Figure D, which is the first of your two graphs, I noticed that the green line is decreasing slightly and I guess that's to be expected. I mean, the overall production has increased over one by itself. If you had not go online with the second group, would you expect that to be pretty much horizontal or what's the standard trend for those kinds of things?

GARY BAXTER: Well, there's a lot factors that go into that. What that could be...those can be surface conditions that are causing the decrease in production. Maybe the pumping unit may have failed or a pump problem. So, those could be...those could be mechanical defects and not in the---

BILL HARRIS: And not necessarily production---?

GARY BAXTER: Right.

BILL HARRIS: ---limitations? But the question was, if you did not include the second well, if that didn't go online, would a standard graph bore production be pretty horizontal? Is that the way it normally is---?

GARY BAXTER: It will have---

BILL HARRIS: ---except for twenty years out or something?

GARY BAXTER: It will have some...it will have some decline to it.

BILL HARRIS: Okay, okay, okay. Thank you.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JIM KAISER: That's all we have, Mr. Chairman. We'd ask that the application be approved as submitted.

BENNY WAMPLER: Basically, the application is to

add an additional well?

JIM KAISER: Right. Well, to modify the field rules and to allow us to drill an additional well.

BENNY WAMPLER: Right.

JIM KAISER: And then we're going to come back in item number three and pool the unleased interest and then there will actually be two...you know, both the wells will be new wells in this unit.

BILL HARRIS: The first...has the first been drilled?

JIM KAISER: No.

BENNY WAMPLER: No.

BILL HARRIS: Okay.

BENNY WAMPLER: This is a field rule modification to allow two and neither have been drilled.

JIM KAISER: Both will be in the interior window.

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 Pine Mountain Oil and Gas for establishment of a 320 acre provisional unit for drilling of conventional horizontal wells, docket number VGOB-07...I'm sorry, -1016-2034. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, in this case, it will be Jim Kaiser and Jerry Grantham on behalf of Pine Mountain.

(Jerry Grantham is duly sworn.)

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

JERRY GRANTHAM

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Jerry, I know you've testified numerous times before the Board. But you would go ahead and state your name, who you're employed by and kind of what your duties are with Pine Mountain.

A. My name is Jerry Grantham. I'm employed by

Range Resources-Pine Mountain, Inc. I'm vice president with Pine Mountain and oversee all operations here in Virginia and West Virginia.

Q. Now, in this particular unit, we filed this application originally for the September docket, I believe, and then continued it for sixty days until today. Could you explain for the Board why we did that?

A. We continued this on the docket because we had a put a unit together, a 320 acre unit, that we found had some unleased acreage in it and so we continued that. We have then since moved the unit to the east so that it incorporates 100% Pine Mountain acreage.

Q. So, 100% of the 320 acres is under control of Pine Mountain?

A. That's correct.

Q. That are no unleased parties or unknown parties or nobody was required to be noticed other than Pine Mountain and any coal owner entities?

A. That is correct.

Q. Okay. That being said, if you would use the information that you've passed out to the Board and go through why we want to form this 320 acre unit to drill a horizontal conventional well?

A. Okay. The first thing that I'd like to do

would be just for the record let the Board know of a name change for Pine Mountain. I know Mr. Wilson and his group were aware of this. Our old name was Pine Mountain Oil and Gas, Inc. We now...our new name will be Range Resources-Pine Mountain, Inc. It's purely a name change. There's no ownership change here. We've actually been owned by Pine Mountain...excuse me, for Range Resources for other three years now. So, it's the same people doing the same work and more of just a name change. So, going forward here, you'll see that name on our exhibits as opposed to the old Pine Mountain.

Exhibit A is a plat of the proposed 320 acre unit. The Board has seen several of these now over the past couple of months. The proposal that we're proposing today is identical to the ones that you've seen in the past. The 320 acre unit is located in the Clintwood Quadrangle of Dickenson County.

If we go to Exhibit D...I may actually...excuse me. I'm sorry. I'm off on my exhibits here. That would be Exhibit C. Exhibit C is the...yes...that is C, correct, on your side...mine was off. I apologize for that. Exhibit C would be our proposal for the horizontal unit. We're proposing a 320 acre square unit, which would have dimensions of 3733 X 3733 feet and the diagonal from corner

to corner would be 5280. As we've discussed or we've testified prior to this, one of the reason we would like to see the larger 320 acre units is that when we drill these laterals very often we can drill 3,000 to 4,000 feet, maybe even more as technology increases so that gives us the latitude to drill large and longer horizontals.

Secondly, we are proposing a 300 foot interior window, which we can only produce with inside that window and 600 feet standoff from adjacent grid well bores so that no two laterals that are in different units are any closer than 600 feet.

We are proposing a 600 foot distance between any portion of the horizontal well bore and any vertical well that is producing out of the same horizon. We are proposing that the unit allow for us to drill multiple laterals either within one formation or other conventional formations and we're only asking for this proposal on conventional reservoirs.

Then, lastly, we're asking that the proposal allow us to locate our surface either in the 300 foot window or even outside of the unit. The reason for that is if we flip over to Exhibit D, here's sort of a proposed square, a schematic looking down on the unit. This particular diagram shows the well actually down in the corner. It's within the

300 foot window. But it takes about 600 feet to build the curve. In other words, to go from vertical to horizontal. That is typically in a row that we can't complete in. So, we can eat up a lot of about 600 feet within our window that's potentially productive. If we can move the surface outside of the unit and we can build that curve and use the area that we can't produce and it can maximize the amount of production that we can get from the unit.

On Exhibit D, the other thing I sort of wanted to show here and I think you've seen this Exhibit before is that roughly what we're asking for is an equivalent of three vertical units putting into one. Admittedly, they're different in that the vertical conventional units are circles and we're going to squares. But effectively it's about the same amount of area and that the drilling of a horizontal well within that 320 acre then could produce gas from a much larger area or potentially the same area that these three vertical wells can produce from.

We go to Exhibit E. Exhibit E is just a schematic of sort of a horizontal and how it might work. It's showing some of the different conventional reservoirs that may be targeted. Certainly, we have a lot of conventional reservoirs. Each of them could be prospective right now. I think most of our efforts are looking at the lower one,

which is in the Devonian Shell. But the diagram here is to show that we could do laterals in other formations and effectively...do you see we have a little (inaudible) over here. Effectively, those could all be on the same location. This is being done in other others where multiple wells are drilled from the same location. They may target different horizons or maybe we'd need multiple wells in one horizon. But effectively, all we're disturbing is one area at the surface and these wells can be as close as 30 feet a part. So, this is being done in some other areas and it's very efficient, you know, we have less disturbance at the surface. It is efficient on our part because all of our infrastructure runs to one surface location, but we're draining the areas...a much larger area than just what the surface is.

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: If you move this well outside of the window, will it still be within this 320 acres or will it be in totally outside of that.

JERRY GRANTHAM: The proposal as we...we are proposing and then how it has been approved on the prior ones is that the surface could be out...totally outside of the unit.

MARY QUILLEN: Of the unit.

JERRY GRANTHAM: And there, again, the reason...go ahead.

MARY QUILLEN: And the placement of that well if it's outside of this unit, do you own the rights to outside of this unit where this would be placed or would you have to?

JERRY GRANTHAM: We...in most cases, Pine Mountain would own the rights because we own a very large amount of acreage in this area so that...I don't think that would typically be an issue.

MARY QUILLEN: Okay, so...okay. And---?

JIM KAISER: But if they didn't, they would have to acquire it.

JERRY GRANTHAM: If they didn't, we have to acquire those rights.

MARY QUILLEN: And that would be...the same would apply to any of those owners that you would acquire those rights from as if they were in this unit?

JERRY GRANTHAM: If they were outside of the unit, they would not share in the production from the well because the production would only occur from the interval that's within the 300 foot window in the unit.

MARY QUILLEN: Right. So, what kind of

compensation would they receive for placing that well---?

JERRY GRANTHAM: In all likelihood, it would be surface damage issues. So, they would receive compensation for the surface that was being used.

Exhibit F is just a well plan. Here, again, it's a very general diagram. But what I really wanted to show here was that we have to abide by all of the DGO regulations as they pertain to the surface casing...to protect ground water and the coal production strings. No horizontals are being proposed in any of the coal bearing strata with this proposal. All we're proposing are horizontals that would be way below those horizons so that effectively as the surface owner or the coal owner would view it, this would be a vertical well to them. Everything that's done horizontally is below those horizons. We would drill down...we set the nine and five-eighths in most cases as a surface string to protect fresh water. We drill through the coal bearing strata. We set a seven inch string to protect the coal string and then below that we actually then drill and turn horizontally in whatever target formation we're looking at and that takes us about 600 feet to make that turn. And, then, at least at this point, we think we can drill out 3000, but in some areas I think some of the operators in other states have gotten 4000 or 5000 feet. So, technology

is rapidly improving in this...on these fronts. It's pretty exciting. Then we would set a four and a half production casing from the surface all the way to TD in the horizontal. That pipe actually bends through the curve believe or not. So, that's a typical well design for us.

And then last exhibit, which I guess is Exhibit G, would be some of the benefits as we see them to horizontal drilling. Certainly, the working interest owners believe this is a viable thing, otherwise, we wouldn't be here asking for this large of unit. We see it benefitting the working interest owners, the royalty owners and certainly the State because we think that it will maximize production...we'll get more production out of these wells than we would a vertical well.

MARY QUILLEN: And also environmentally.

JERRY GRANTHAM: Absolutely.

MARY QUILLEN: Yeah, that's a significant---.

JERRY GRANTHAM: The footprint---.

MARY QUILLEN: ---reduction in environmental impact. Isn't it?

JERRY GRANTHAM: We think so. The footprint as... you know, these things would be laid out as we would see them would be the footprint at the surface potentially could be smaller. Although, the actual well unit size that...I

should say the location size that we have to build for horizontal is slightly larger than a normal conventional well. Not much, slightly. If we can go in an extract resources that are 3,000 feet away from this one well bore or do multiple one of these and have everything clustered in one area, absolutely, the environmental impact is less.

JIM KAISER: Yeah, that's just three verticals.

JERRY GRANTHAM: Yeah.

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: In this particular unit, does Pine Mountain own the coal rights in this?

JERRY GRANTHAM: Pine Mountain does not own coal rights in...actually in any of our acreage. That's a separate estate.

MARY QUILLEN: Okay.

JERRY GRANTHAM: Number two, would be to promote the conservation of the gas resource and prevent waste. Again, this would be because we're more efficiently extracting it from these horizontal reservoirs...horizontal well bores. The laterals could be drilled underneath areas which are inaccessible from a surface standpoint, whether it's an area where there's a river, maybe a town, you know,

or maybe some coal issues that some active mining that's going on. We think it would...potentially have less potential impact on the coal because of being able to cluster these wells in a given area and likewise for the surface. And, finally, we think the square units will probably leave less stranded acreage out there than we see with some of the circular units.

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Let me ask a question. In your Exhibit D where you have the three conventional and the horizontal, what...experience is not a good word, but what information do you have that might let us know that this is maybe a more efficient way to drill things? Has any...I know you can't do this on the same property, but I know that other states are doing this---.

JERRY GRANTHAM: Other states, yes.

BILL HARRIS: ---and it's being done in other areas. Have they shown that it's actually more efficient to do the...I mean, it seems like it would be, but---.

JERRY GRANTHAM: Yes, I think it has been demonstrated very clearly in other states. As you know, there has not been...well, Pine Mountain has just recently drilled our first horizontal. I wanted to let the Board

know that. The proposal that was approved in September, we drilled that well and finished drilling that well just this last Saturday. We don't have any results yet. We haven't completed the well. But from an operational standpoint, everything went quite well. We're very pleased with how that went. You are exactly right that we do not, at this point, have data in Virginia that would demonstrate that this is a more efficient way to do it. That's sort of why we're here. But, certainly, in other states...adjacent states like Kentucky, West Virginia, Pennsylvania and certainly a lot of other states out west, horizontal drilling has been done and is being done very routinely and used in this...on this exact manner to extract more gas more efficiently and ultimately recover larger reserves than vertical wells.

BENNY WAMPLER: Are the acreages in the units the same in the other states or do they vary?

JERRY GRANTHAM: Different states have different units or...some have cigar shaped units. As I understand, some like Arkansas where there is similar drilling being done to a shale that is similar to what we have here, I believe those are being done on 320 acres and, actually, I believe their proposal is very similar to what we've proposing here. So, states do vary on how they approach

that, but ours, I think, is consistent with certainly with certainly what we've seen in Arkansas.

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

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Since the original filing, you've moved this unit some 3,000 feet east and about a 1,000 feet north, I believe, or something like that.

JERRY GRANTHAM: That is correct. It was moved to the east and that was done for two reasons. One was because of the unleased acreage that we found in the original unit. The second reason was because we had sat down with the coal company and gotten a surface location, which was approved. That location was on the original unit on the eastern side. We always with our well locations we want to be sort of an exterior boundary so that we can drill as much lateral as possible. When we discovered this unleased acreage, which was on the northwest side of the original unit, we wanted to shift the unit so that instead of drilling this from east to west we would shift it 3,000 feet east, so then we go from west to east. So, it is a shift to the east. What we would plan to do then would be go back and hopefully acquire the unleased acreage and do a unit to the west at some point.

BOB WILSON: Two questions. Are you attempting to preserve any sort of repeatable pattern should the request be made for statewide field rules for this? Secondly, did you do new notification of this moved unit?

JERRY GRANTHAM: The...as far as repeatable patterns being a 320 acre unit, I think at least at this point since we've drilled one of these, we don't have any data yet. I think some other operators are planning to drill these this year. From what we know right now, I think 320 acre...a square 320 acre unit is an appropriate unit. Might that change, I don't know the answer to that, you know, with more data.

BOB WILSON: Excuse me. The question...the question I had in mind was are the units that you're applying for, do they fit into any kind of hypothetical regular grid or are they just randomly located on the surface at this time?

JERRY GRANTHAM: Oh, I'm sorry. They do not fit into an existing grid. If the question is, does the unit that we had approved in our September hearing in this unit would there be...do they fit in a grid that is existing or do our locations fit in a grid with the ones that were done by other operators? The answer to that is no. At this point, they do not.

BOB WILSON: Okay. And the notice?

JERRY GRANTHAM: The notice went to...the notice for this hearing went to all of the noticees on the original hearing also including the people who were in the original unit.

BENNY WAMPLER: Do you have a revised plat showing where it's located, in other words, Exhibit A? Do you have that? Is that what we have?

BOB WILSON: I presume so, yes, sir.

JERRY GRANTHAM: Yes, that is correct. Yes, that is the revised Exhibit.

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: This is for, just to remind the Board, a provisional drilling unit. 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.

JERRY GRANTHAM: Thank you.

BENNY WAMPLER: 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.

JIM KAISER: Mr. Chairman, it will be Jim Kaiser and Don Hall on behalf of Equitable Production Company. Mr. Hall is passing out a set of revised exhibits.

(Don Hall passes out revised exhibits.)

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: While he passes that out, I need to point out that we kind of got our packages a little bit muddle up when we sent them out. You have a revision in your item number five that actually belongs to this particular item. I think Mr. Hall is handing out a separate one now. Do you have one or two here?

DON HALL: There's two.

BOB WILSON: Okay. So, he...he should have both of these. So, when you get to item five, you'll have something in your package to ignore.

BENNY WAMPLER: Okay.

BILL HARRIS: Don't pull five now, is that what you're saying?

BOB WILSON: No.

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

JIM KAISER: Mr. Hall, before we get started with your standard testimony---

COURT REPORTER: Don, will you raise your right hand?

BENNY WAMPLER: You've got to get him sworn.

JIM KAISER: Oh, we've got to get him sworn, don't we?

(Don Hall is duly sworn.)

DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. All right. Before we get you started with

your standard testimony, why don't you go through the set of revised exhibits and explain why they're revised and what they represent?

A. Well, the reason we continued the hearing last month is we discovered a couple...couple of other tracks that...in the interim that we had not put on the exhibit and those would be the Tracts 3 and 4 as shown on the plat that I just passed out.

Q. Down in the southeast corner?

A. Right. Of course, both of those tracts are overlapped areas with the tract that we thought that we initially had on the plat. We've discovered these other tracts overlapped with them. So, we...we continued it so that we could make further notice of those. Then in addition, there's an address change on the front page with Sandra McKnight from the last time we had...from the first notice that we sent out.

Q. Okay. And what we've got here, this unit...the unit BU-42 was the first hearing that we did today where the Board approved a modification of the Nora Field Rules to allow for an additional well in the unit and so what they've actually got is the same plat twice, but then different exhibits and AFEs for each of the two wells, correct?

A. Yeah. This packet that I handed out does not have the AFE, but it has the exhibit---

Q. Well, the AFE is---

A. Yeah.

Q. Two different AFEs in the application.

A. Yeah. Right, right. Yes.

Q. Neither one of these wells have been drilled yet, correct?

A. That's correct. This is the unit that was number one on the docket today.

Q. Right. And we're seeking to force pool the unleased interest that are in this unit?

A. Yes.

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

A. We do.

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

A. Yes.

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

A. We currently have 94.483667% leased.

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

A. We have a 100%.

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

A. They are.

Q. So, the interest that remains unleased is 5.516333% of the gas estate?

A. That's correct.

Q. Okay.

BENNY WAMPLER: Let me stop you just a second, just so that we clarify which well we're talking about as we go through these, okay.

JIM KAISER: Well, we're actually pooling the unit. So---

DON HALL: It's both wells.

JIM KAISER: ---it's both wells.

BENNY WAMPLER: So it's the same, okay.

JIM KAISER: We will distinguish on the depths and the AFEs and we'll distinguish them there.

BENNY WAMPLER: All right.

Q. Let's see, Don, we do have some unknowns in this unit, is that correct?

A. Yes, that's correct.

Q. And were reasonable and diligent efforts made to attempt to identify and locate those unknown heirs?

A. Yes.

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

A. Yes.

Q. And are the addresses set out in revised Exhibit B, I guess, actually the last known addresses for the respondents?

A. They are.

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

A. Yes.

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

Q. In your opinion, do the terms you've testified to represent the fair market value of and the fair

and reasonable compensation to be paid for drilling rights within this unit?

A. They do.

Q. Now, as to those respondents listed at revised Exhibit B-3 that remain unleased, do you agree that they be allowed the following statutory options with respect to their ownership interest within the unit:

1) Participation; 2) a cash bonus of five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his/her interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to their 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 elections by the respondents be in writing and sent to the applicant at Equitable Production Company, Land Administration, P. O. Box 23536, Pittsburgh, Pennsylvania 15222, Attention: Nicole Atkinson, Regulatory?

A. Yes.

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

A. It should.

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

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Does the applicant expect any party electing to participate to pay in advance that party's share

of actual completed well costs?

A. Yes.

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

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs within the proper time period to the applicant then their election be treated as being withdrawn and void and they be treated as if no election were made, in other words, deemed to have leased?

A. Yes.

Q. Do you recommend that the order provide that where a respondent elects to participate but defaults in regard to the payment of those costs, then any cash moneys due the respondent by the operator be paid to that respondent within 60 days after that respondent should have paid their actual well costs?

A. Yes.

Q. Okay. In this particular case, we do have any Exhibit E, so the Board does need to establish an escrow

account and it will include proceeds from Tracts 2, 3, 4 and 5?

A. Yes.

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

A. Equitable Production Company.

Q. Now, what is the total depth of proposed well 536593?

A. I believe that one is 2526 feet. Let me check just a second here. Yes, it's 2526 feet.

Q. And the proposed depth for VCI-538606?

A. That's 2499 feet.

Q. And the estimated reserves for the unit as a whole?

A. 525 million cubic feet.

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

A. They have.

Q. And in your opinion, do these AFEs represent a reasonable estimate of well costs?

A. They do.

Q. Okay. First state the dry hole costs and completed well costs for 536593?

A. It would be \$146,769 for dry hole costs and

\$349,481 for the completed well costs.

Q. Okay. And the dry hole costs and completed well costs for 538606?

A. The dry hole cost is \$137,839 and the completed well cost is \$329,678.

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?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: We have a discrepancy here in your plat designations for tracts for the two revised exhibits

that you handed out. The tracts are not numbered consistently in those plats. I'm not sure which one goes with the people that you're pooling and escrowing and which one doesn't. I don't really see any need for having more than one set of exhibits. But the tract numbers are total different. Tract 1 under the VC-536593 is Tract 2 under VC-538606.

DON HALL: I...yeah, I see that.

MARY QUILLEN: And Tract 4 and 5 are---?

DON HALL: Yeah, Tract 3 and 4 and 2 and 3...I didn't realize those tract numbers were different. Let me see if I can tell which one is correct here. It looks like the exhibits were...the plat for 6593 is the correct one.

BOB WILSON: And for both of them, you only list the one potential gas owner on the tract identification. It was Tract 2. You show Standard Banner Coal Corporation as surface, coal, oil and gas and CBM owner. But in your exhibits you show that as being Standard Banner or Paul O. Strout and Mary Strout.

DON HALL: Okay. The exhibit...the supplemental sheet for the plat on 6593 shows them both, I think.

BOB WILSON: Not on mine.

SHARON PIGEON: Yeah.

DON HALL: Are you looking at the new one?

BOB WILSON: I'm looking at the one that you handed out this morning.

DON HALL: 6593 on the page behind the plat, is that what you're talking about?

BOB WILSON: Yes, sir.

DON HALL: Tract 2 says Standard Banner or Paul Strout in the upper right hand corner.

BOB WILSON: Oh, okay. I'm sorry, you're right. That's correct. It does the or on there.

BENNY WAMPLER: So, 6593 is the plat that's correct?

DON HALL: Yes. That's the plat that coincides with the exhibit.

BENNY WAMPLER: So, if we toss this other one...I agree with Mr. Wilson, I think when you file something like this it adds confusion.

DON HALL: No, this one doesn't have the other well on it, 6593.

BENNY WAMPLER: You need to revise it and put it on there and have one exhibit with it.

DON HALL: Okay. We'll do a plat with both wells on it that coincides with the correct exhibit, okay.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Let me ask one last question.

BENNY WAMPLER: Yes, sir. Mr. Harris.

BILL HARRIS: Yes. A quick question about the AFE...they're consulting.

BENNY WAMPLER: Go ahead.

BILL HARRIS: A question about the AFE actually... both questions just about the AFE. Either one, and I know you're not an engineer, but I was just curious about one of the line items that's there.

DON HALL: Uh-huh.

BENNY WAMPLER: It's the second line item under the contract footage. It's day work. The note there, it says, "two possible open mines", and then there's an amount next to that. I was just curious if you knew what that meant.

DON HALL: Well, when there's an open mine, you have to run some additional pipe and do some additional work to seal off those mines.

BILL HARRIS: Okay. So, that...so, that would

account for that then?

DON HALL: Yeah.

BILL HARRIS: When you say possible, you won't know until you drill---?

DON HALL: Right.

BILL HARRIS: ---if it's necessary to do that?

DON HALL: We've been...we've been advised that they're probably there, but you can't always count on them exactly where you think they are.

BILL HARRIS: Yeah. I know the survey---.

DON HALL: You've got to prepare for them and if you don't, hit them great and if you do, you prepare for them.

BILL HARRIS: Yeah, okay, thank you. Thank you, Mr. Chairman.

BENNY WAMPLER: Sure. Any other questions?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval as amended or corrected, I guess it is.

PEGGY BARBAR: Second.

BENNY WAMPLER: And second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a
petition from Equitable Production Company for pooling of
Nora coalbed methane unit VC-537656, docket number VGOB-07-
1113-2070. We'd ask the parties that wish to address the
Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and
Don Hall on behalf of Equitable Production Company. We
amended Exhibit E?

DON HALL: Yeah,

JIM KAISER: We have an amended Exhibit E to pass
out for this matter.

(Don Hall passes out a revised exhibit.)

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Now, Mr. Hall, again, before we get into your standard testimony, do you want to explain the exhibits and the amended to E?

A. Well, initially, when we filed...made this filing, we hadn't put Tract 5 on the Exhibit E for escrow. This is kind of a unique situation. We've got...ACIN owns the surface oil and gas in these tracts that we're showing on Exhibit E and then the other exhibits. They acquired this property from Daniel and Curry Rhiner several years ago to...for the purposes of strip mining. In the deed, there's a versionary clause that says once the permit...the bond for the permit has been released and is no longer in any coal mining operations on it, this property is supposed to revert back to the Rhiners. So, we're...the bond is still in existence. So, we're showing ACIN as the current owner, but the notes under those indicate that Daniel Rhiner and his brother Curry will eventually get the property back. The reason we added Tract 5 in the revised exhibit is that currently ACIN also owns the coal on this. So, with them owning the coal and the oil and gas, it would not be a conflicting claim. But when this reverts back to the Rhiners, it will create a conflicting claim. So, we---

Q. So, we thought the more prudent action

would be to go ahead and escrow that tract also because that will occur. In fact, I think probably fairly soon, won't it?

A. Well, our understanding is that that bond could be released by the end of the year, but that's when the five year period is up. But that doesn't necessarily mean that's when it will get released. But I think that's the minimum time that it has to be held.

Q. Mr. Hall, is Equitable seeking to force pool the unleased interest in this unit?

A. We are.

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

A. We do.

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

A. Yes.

Q. And what's the percentage of the gas estate that's under lease to Equitable?

A. We currently have 60.23% of the gas estate leased.

Q. And what percentage of the coal estate?

A. A 100%.

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

A. They are.

Q. So, the interest in the gas estate that remains unleased is 39.77%?

A. That's correct.

Q. In this particular unit, we do not have any unknown owners in this unit?

A. That's correct.

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

A. Yes.

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

A. They are.

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

A. We are.

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

A. Yes.

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

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

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

A. They do.

JIM KAISER: Mr. Chairman, at this time regarding the statutory election options afforded any unleased parties, I would like to ask the Board to incorporate the testimony taken previously in docket number 2050.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, the Board...as reflected in your revised Exhibit E, the Board does need to establish an escrow account for proceeds attributable to Tracts 3, 4, 5, 6, 7 and 8 in the unit, is that 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. It's 2431 feet.

Q. Estimated reserves for the unit?

A. 200 million cubic feet.

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

A. Yes, it has.

Q. In your opinion, does it represent a reasonable estimate of 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 \$155,030 and the completed well cost is \$411,267.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

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 Equitable Production Company for pooling of Nora coalbed methane unit VCI-538607. This is docket number VGOB-07-1113-2071. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, explain...before we get started with our regular testimony, explain the significance of the VCI.

A. Well, this is the second well in the unit of a well that we have already permitted and pooled previously. It's...that well, I'm not sure if it's drilled yet or not, but it has been...it has been permitted.

Q. It's shown it was modified to allow for a second well.

A. Yes. And the unit was modified to allow for the second well.

Q. Okay. The field rule was modified, right?

A. Yes, sir.

Q. Okay. Does Equitable own drilling rights

in the unit involved here?

A. We do.

Q. Prior to the filing of the application, were efforts made to contact each of the respondents and an attempt made to work out an agreement regarding the development of the unit?

A. Yes.

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

A. We have 85.21% leased.

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

A. A 100%.

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

A. Yes.

Q. So, the percentage of the gas estate that remains unleased is 14.79%?

A. That's correct.

Q. And that's represented by the Tract 4, the gas estate in Tract 4?

A. Yes.

Q. We do not have any unknown or unlocateables within this unit, correct?

A. That's correct.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

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

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

A. They do.

JIM KAISER: Again, Mr. Chairman, we'd ask that the statutory election options afforded any unleased parties in all of the testimony related to that taken earlier in item 2050 be incorporated for this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Okay. Mr. Hall, we do...the Board does need to establish an escrow account for this unit and that would tract proceeds attributable to Tracts 1, 3 and 4, is that correct?

A. Yes.

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

A. Equitable Production Company.

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

A. It's 2848 feet.

Q. Estimated reserves for the unit?

A. 250 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. The dry hole cost is \$177,459 and the completed well cost is \$381,701.

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.

(Don Hall and Jim Kaiser confer.)

BENNY WAMPLER: Would you explain the Standard Banner Coal Corp and Wellmore Coal Company where you show leased in those one through four? Is that leased on both of those? Is that a dispute in who owns or are they---

DON HALL: Well, Wellmore is the coal lessee. They probably shouldn't even be listed there. They're the coal lessee above drainage. I'm not sure why they were even listed. But Standard Banner is the lessee. They're leased.

BENNY WAMPLER: Okay. Well, that's what I was wondering is why it was listed. I don't know if it had any special meaning.

DON HALL: I don't know. It don't...I don't know why they were listed. In Tract 4, they are the oil and gas owner. Yes, in Tract 4, they actually are the oil and gas

owner. But those other tracts they're just the coal lessee.

BENNY WAMPLER: But where they're an oil and gas owner, they're actually a different company?

DON HALL: Well, no. There's Wellmore. If you look at...if you look at the first page of the exhibits under the gas estate---

BENNY WAMPLER: Uh-huh.

DON HALL: ---in Tract 4 they're listed as Wellmore as the owner of the oil and gas. The other address is just a different location. That's where their coal operations are located in Big Rock.

BENNY WAMPLER: I understand that. But I'm just pointing out that there are two different companies listed here. The gas estate owner is Wellmore Energy---

JIM KAISER: Wellmore Energy.

BENNY WAMPLER: ---LLC.

DON HALL: Oh, okay, yeah. That's true. That's the name of the company. The coal group is Wellmore Coal Company.

BENNY WAMPLER: So, everywhere that it says Wellmore Coal Company they're only the lessee?

DON HALL: Right, yes.

JIM KAISER: Correct.

BENNY WAMPLER: All right.

DON HALL: Of the above drainage coal.

BENNY WAMPLER: Other questions from members of the Board?

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: When the original approval for drilling the wells in the unit was given. I believe this was probably the first one that Equitable did with Standard Banner acreage. My, not always reliable memory, suggests that the approval for the second well to be drilled anywhere within the unit was only those units that were in the interior of that Standard Banner property as opposed to this one where there is property that is not Standard Banner in the northeast corner of the unit. Is that not correct? That would go strictly to the location of that second well.

DON HALL: The scenario that we've developed as far as the second well being outside of the interior window, if you put that square around the second well, it's outside the interior window here. It's all Standard Banner property. You know, that's the scenario that we were to use for location exceptions.

BOB WILSON: Well, now, this...according to this, the Tracts 1, 2 and 3 are not Standard Banner property insofar as the gas is concerned. Is that correct?

DON HALL: That's correct. That's parties are leased.

BOB WILSON: Well, I realize this is...this actually is a permitting problem anyway. We may need to check that original approval.

DON HALL: Okay.

BENNY WAMPLER: I think you're right.

BOB WILSON: I don't think that one was subject to the floating square proposition. I think that...if I remember correctly, the Standard Banner approval was that anything in the interior of that Standard Banner tract could be drilled anywhere you wanted to, but---

DON HALL: Oh, you're talking about from a location exception?

BOB WILSON: But if any unit contained other owners, then that was not...you couldn't automatically drill that outside the window.

JIM KAISER: So, we may have to come back and get a location exception.

BENNY WAMPLER: You may have to.

BOB WILSON: But we'll...we'll check this on the permitting side.

DON HALL: Okay. But this situation fits the situation with a floating unit even though it's on the

Standard Banner property.

BOB WILSON: I understand.

DON HALL: I mean...but we may have...yeah.

BENNY WAMPLER: You may have to come back for a location exception---.

DON HALL: Okay.

BENNY WAMPLER: ---or something like that. But I believe he is correct on that.

DON HALL: Yeah, I remember that now.

BENNY WAMPLER: Anything further from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

(No audible response.)

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

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

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 creation and pooling of conventional gas unit V-536021. This is docket number VGOB-07-1113-2072. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Don Hall on behalf of Equitable Production Company. We also have filed an application for a location exception for this well. I don't know if you want to reverse those two and do the location exception first of whatever the Board's pleasure is.

BENNY WAMPLER: Yeah, I think we should. Is that number ten?

JIM KAISER: Yes, sir.

BENNY WAMPLER: I'll go ahead...let's go to ten and deal with that first. This is a request for a petition from Equitable Production Company for a well location exception for proposed well 536021, docket number VGOB-07-1113-2076.

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Now, Mr. Hall, do your responsibilities with Equitable 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 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. They have.

Q. Could you indicate to the Board the ownership of the oil and gas underlying the unit for V-536021?

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

Q. Okay. And does Equitable have the right to operate any reciprocal wells?

A. Yes.

Q. Are there any correlative rights issues?

A. No.

Q. Now, in conjunction with the exhibits that you just handed out, explain why we're seeking this particular exception.

A. Well, the exception for this well is just from well 536020, which is generally...to the east of that well is 2319 feet. The surrounding wells are all...have a 2500 foot radius circle drawn around them leaving the area that I've shown in yellow there as the only area that we could put a legal location...a location greater than 2500 feet from all of these wells on the ground. The problem being is this map is somewhat outdated. There's a strip bench...the well is actually located on the strip bench and the area in which it's highlighted yellow is in a sediment basinery that was used during the course of mining. It's swamping and it Cattails and so forth in it. It's just a marshy area. So, we couldn't...didn't feel comfortable putting the well in that area. It's somewhat steep too.

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

A. 500 million cubic feet.

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

A. 6194 feet.

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

A. Yes.

Q. And 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 536021?

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.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion---

PEGGY BARBAR: Motion to approve.

BILL HARRIS AND MARY QUILLEN: Second.

BENNY WAMPLER: Motion to approve 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. We're going to
go back to number six, which is VGOB-07-1113-2072. 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, do your responsibilities include
the land involved in this area?

A. Yes.

Q. Are you familiar with the application

Equitable filed seeking to establish the unit and pool any unleased interest within this unit?

A. Yes.

Q. Does Equitable own drilling rights within this unit?

A. We do.

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

A. Yes.

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

A. We currently have 84.06% leased.

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

A. They are.

Q. So, 15.94% of the gas remains unleased?

A. That's correct.

Q. Okay. We don't have any unknown entities in this unit, is that correct?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. I am.

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

A. We pay five dollars an 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. They do.

JIM KAISER: Mr. Chairman, again, I'd ask that the election option testimony that was taken previously in item 2050 be incorporated for purposes of this hearing.

BENNY WAMPLER: It will be incorporated.

Q. In this particular case, Mr. Hall, since there are no unknown and unlocateable owners and it's a conventional unit, the Board does not need to establish an escrow account, is that correct?

A. That's correct.

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

A. Equitable Production Company.

Q. The proposed total depth of this well?

A. 6194 feet.

Q. And as you testified to previously, the estimated reserves for the unit are 500 million cubic feet?

A. That's correct.

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

A. The dry hole cost is \$320,253 and the completed well cost is \$580,853.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

Q. In your professional 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.

BENNY WAMPLER: 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?

(No audible response.)

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.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling of Nora coalbed methane unit VC-537926. This is docket number VGOB-07-1113-2073. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser and Don Hall on behalf of Equitable Production. We do have a set of revised exhibits. These will reflect some address changes and I believe some name changes

(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, does Equitable own drilling rights in the unit involved here?

A. We do.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest within this unit?

A. Yes.

Q. Prior to that...filing of that application were efforts made to contact each of the respondents and an attempt made to work out a voluntary lease agreement?

A. They were.

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

A. We have 71.83% leased.

Q. And the percentage of the coal estate under lease?

A. A 100%.

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

A. They are.

Q. So, what is the interest in the gas estate that remains unleased at this time?

A. 28.17%.

Q. 28.17%?

A. Yes.

Q. Okay. There are no unknown or unlocateable owners out of the gas or coal estate, is that correct?

A. That's correct.

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

for the respondents?

A. Yes.

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

A. Yes.

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

A. Yes.

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

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

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

A. They do.

JIM KAISER: Again, Mr. Chairman, I'd ask that the election option testimony taken previously in item 2050 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Due to conflicting claims, the Board does need to establish an escrow account for proceeds attributable to Tracts 2 through 8 in this unit, is that

correct?

A. Yes.

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

A. Equitable Production.

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

A. 2148 feet.

Q. Estimated reserves for 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 the well costs?

A. Yes.

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

A. The dry hole cost is \$125,929 and the completed well cost is \$343,551.

Q. Do these costs anticipate a multiple completion?

A. They do.

Q. Does your AFE include a reasonable charge

for supervision?

A. Yes.

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

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---one question. On the revised Exhibit B and the original Exhibit B there is a person listed in Tract 4 on the revised exhibit that's not listed in the original Exhibit B in Tract 4, Carla McClellan, is that right? Is that the one? Yeah. But it still remains those percent...percentages of leased and unleased remains the same, but there is a person that has been added.

DON HALL: Yeah, I see that.

MARY QUILLEN: So...and it's the...there should be a difference of that .2% difference, but the same is listed as the percentages leased and unleased. There doesn't seem

to be any change, but a person has been added.

BENNY WAMPLER: Took off Gary McClellan.

BILL HARRIS: Took off---.

JIM KAISER: Yeah.

BENNY WAMPLER: Is that---?

JIM KAISER: Gary was replaced by Carla.

DON HALL: Yeah.

MARY QUILLEN: Gary was replaced with Carla?

DON HALL: Right. Yes.

MARY QUILLEN: That was for the same...okay.

Thank you.

DON HALL: Gary was...Carla is a widow.

MARY QUILLEN: Okay.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

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

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a
petition from Equitable Production Company for pooling of
Nora Coalbed Methane unit VC-537846, docket number VGOB-07-
1113-2074. 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.

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. They do.

Q. Are you familiar with the application that
we filed seeking to pool any unleased interest in this unit?

A. Yes.

Q. Prior to the filing of the application, were efforts made to contact each of the respondents in an attempt made to work out a voluntary lease agreement?

A. Yes.

Q. What's the interest under lease to Equitable in this unit?

A. We have 90.18% leased.

Q. And the percentage of the coal estate under lease?

A. The same, 90.18.

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

A. Yes.

Q. So, 9.19% of both the gas estate and the coal estate remain unleased?

A. That's correct.

BENNY WAMPLER: When you're saying...you're testifying 90.18 and it says 90.81.

JIM KAISER: It should be 90.81.

BENNY WAMPLER: I just wanted---

JIM KAISER: Yeah, it's wrong the questions.

DON HALL: Yeah. It's 90.81.

JIM KAISER: 90.81. Thank you.

Q. So, 9.19% of both the gas and the coal

estate unleased?

A. My attorney made a typographical error.

Q. Correct. That's all right. I can take it.

In this case, we don't have any unknown or unlocateable parties, is that correct?

A. That's correct.

Q. Are all of the addresses set out at Exhibit B the last known addresses for the respondents?

A. They are.

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

A. Yes.

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

A. Yes.

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

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

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

A. Yes.

JIM KAISER: Mr. Chairman, we'd ask again that the election option testimony taken previously in item...number 2050 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. Mr. Hall, in this particular case, the Board does need to establish an escrow account for proceeds attributable to Tract 3, is that correct?

A. That's correct.

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

A. Equitable Production Company.

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

A. 1639 feet.

Q. And the estimated reserves for the unit?

A. 330 million cubic feet.

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

A. Yes.

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

A. Yes.

Q. Could you state for the Board both the dry

hole costs and completed well costs for this well?

A. The dry hole cost is \$121,366 and the completed well cost is \$279,924.

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.

Q. Is this well...the location of this well is outside the interior window, correct? This is a situation where that can be taken care of in the permitting process?

A. That's correct, yes.

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

BENNY WAMPLER: Would you explain the Ervin Fuller and Lena Fuller situation?

DON HALL: Ervin Fuller actually owns the coal. It's a ten acre exception. Lena is his wife. She's an heir in the Robinson family and they own the...Ervin owns the oil and gas and the Robinson Heirs own the coal.

BENNY WAMPLER: He does own the coal, is that right? He does not own the coal?

DON HALL: No, he owns...he owns the gas. He probably...well, his wife owns an interest in the coal, but he doesn't. It's through her family. She was a Robinson.

JIM KAISER: Two different chains of title.

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: 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 pooling of a Nora coalbed methane unit VC-536629. This is docket number VGOB-07-1113-2075. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf of Equitable Production Company. We have a set of revised exhibits.

(Don Hall passes out revised exhibit.)

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Mr. Hall, before we start with your standard testimony, let's go through these revised exhibits and it appears to me that what has happened here is that you've picked up---

A. Two leases.

Q. ---two leases. Both of them representing

interest in Tract 2 in the gas estate, correct?

A. As reflected in Exhibit B-2.

Q. B-2. So, you got a lease from Joseph Dwayne Tiller and Faith Gaines Compton, correct?

A. That's correct. That's all in Tract 2.

Q. Right. You're familiar with the application that we filed seeking to obtain a pooling order pooling any unleased interest within this unit?

A. Yes.

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

A. We do.

Q. Now, both prior to and after filing the application you continued to make efforts to obtain a lease from all the respondents with the unit?

A. Yes.

Q. So, at the present time, as reflected in the revised set of exhibits the percentage of the gas estate that's under lease to Equitable is 38.537%?

A. That's correct.

Q. And the percentage of the coal estate that's under lease to Equitable is a 100%?

A. That's correct.

Q. So, at this time, 61.463% of the gas estate

remains unleased?

A. That's correct.

Q. Okay. In this particular case, we do have an unknown respondent, that being the ever popular Yellow Popular Lumber Company?

A. That's correct.

Q. Okay. And were reasonable and diligent efforts made again to locate and identify any surviving shareholders or whatever there may be of that entity?

A. Yes.

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

A. They are.

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

A. Yes.

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

A. Yes.

Q. Again, advise the Board as to what those are?

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

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

A. They do.

JIM KAISER: Mr. Chairman, we'd again ask that the election option testimony afforded the unleased parties taken previous in 2050 be incorporated for purposes of this hearing.

BENNY WAMPLER: It will be incorporated.

Q. Due to conflicting claims, Mr. Hall, the Board does need to establish an escrow account for proceeds attributable to the entire unit, is that correct, Tracts 1 through 5?

A. Yes.

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

A. Equitable Production Company.

Q. The proposed total depth of this well?

A. 2494 feet.

Q. Estimated reserves?

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

A. The dry hole cost is \$155,764 and the completed well cost is \$355,883.

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 approve 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. Do we need a break?

SHARON PIGEON: Yeah.

BENNY WAMPLER: All right. We'll take...we'll take five.

(Break.)

BENNY WAMPLER: Next is a petition from Equitable Production Company for a well location exception for proposed well V-537757. This is docket number VGOB-07-1113-2077. We'd ask the parties that wish to address the Board

in this matter to come forward at this time.

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

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. They do.

Q. Are you familiar with the application that we filed seeking a location exception for well V-537757?

A. Yes.

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

A. They have.

Q. Could you indicate for the Board the ownership of the oil and gas underlying the unit for well number V-537757?

A. Equitable has a 100% leased.

Q. Does Equitable have the right to operate

the reciprocal wells?

A. We do.

Q. There are no correlative rights issues?

A. No.

Q. Could you explain for the Board, in conjunction with the exhibits that you've passed out, why we're seeking this particular location exception?

A. The subject well is 7757 in the center of the exhibit and you see the 2500 foot radius circles around the adjoining wells indicating the distance from the well that we're seeking for a location exception. The closest well is P-167, which is the well to the south. As you can see with the way the circles have intercepted, there's no spot on the ground where we can get 2500 feet from each well. We could theoretically move the well back north a little bit and gotten little more equal spacing, but if we had gotten down into the area there in Zekes Branch it's rather steep, plus the access to that area is blocked by some houses and trailers that have been built...that have been constructed in the access road coming up Zekes Branch. So, there's really...access would have been very difficult to have gotten up the hollow. Once we got up there, we would have been on a fairly steep side slope. So, this location is where we best felt it would be best to put it.

There was really no way we could get 2500 feet away from all of the wells.

Q. So, basically, we either drill it there or lose those reserves?

A. That's correct.

Q. And what would be the estimated loss of reserves?

A. 300 million cubic feet.

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

A. 6230 feet.

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

A. Yes.

Q. In your opinion, would the granting of this location exception be in the best interest of preventing waste, protecting correlative rights and maximizing the recovery of gas reserves underlying the unit for V-537757?

A. Yes.

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

BENNY WAMPLER: Is this Exhibit C?

JIM KAISER: Yes, sir.

BILL HARRIS: Mr. Chairman, I have a question.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Don, let me ask you about this P-167 that's to the south of that. Is that a conventional well?

DON HALL: Yes. All of these conventional wells.

BILL HARRIS: Conventional. Will that not drain that same area. I mean, it just looks...you know, usually we see the location exception. There's a little space in between where there was no overlap.

DON HALL: Right.

BILL HARRIS: Here, you have quite a bit of overlap and yet we're putting a well in. Is that not adequately drained already?

DON HALL: Well, our geology and engineering group feel like this appropriate space for it. We ran it through them before we chose it. Obviously, they feel like it's---

BILL HARRIS: The 300 million---?

DON HALL: Yeah.

BILL HARRIS: ---I mean as a reserve?

DON HALL: Right. Yeah.

BILL HARRIS: 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?

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. Next is a petition from Equitable Production Company for the establishment of a 320 acre provision unit. This is docket number VGOB-07-1113-2078. 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, Don Hall, Luke Schanken and possibly Craig Eckert. So, once they pass out this proposal we'll have Mr. Schanken and Mr. Eckert sworn in case we need their testimony.

(Luke Schanken and Craig Eckert are duly sworn.)

BENNY WAMPLER: Do you have the spelling of their names?

JIM KAISER: Can you spell your name for them, Luke?

LUKE SCHANKEN: It's Luke and then Schanken, S-C-H-A-N-K-E-N.

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

JIM KAISER: We'll start with Mr. Hall.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, on the land side, what we're trying...what we're asking the Board to do here is establish a provisional 320 acre unit for the drilling of conventional horizontal wells. The next item on the docket will be for a force pooling of this unit. In fact, it's what right around a half of 1% that is unleased in this particular unit, is that correct?

A. .567%

Q. Okay. And then the rest of 320 acres is under lease to Equitable, is that correct?

A. That's correct.

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: Call your next witness.

LUKE SCHANKEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Schanken, this is your first time testifying before the Virginia Gas and Oil Board. So, if you would briefly go through your educational background and work history for them.

A. I got my undergraduates in geology and environmental science, double major at Marietta College in Ohio. I went to graduate school at Miami University of Ohio. I expect graduation early next year. I've worked for Equitable as a geologist since June the 4th, primarily based at looking the Virginia Regional.

Q. Okay. Going forward, the horizontal program in Southwest Virginia will be, at least from the

operational standpoint, a large part of your responsibility?

A. Yeah. In the future, yes.

Q. Okay. Using the slides...I call them slides. Using the package that you've handed out to the Board, if you would go through...let's see, what are we going to call these? We've already got a A and a B, so let's start with C. We'll just use---

SHARON PIGEON: Why don't you just double the letter that's on there rather than stick it with something else? Call this first one AA.

JIM KAISER: All right. AA, BB, and then we're okay, right?

(No audible response.)

JIM KAISER: So, the first...it will be AA, BB and then C, D, E, F and G. Okay, thank you.

A. If you turn to that first page exhibit it will be AA. This is just showing why we drilled these horizontal wells. We're after gas that's in vertical fractures in the rock and drilling these horizontal wells. You can come in contact with a lot more of these fractures to produce a lot more gas.

Exhibit BB on the next page just shows a typical schematic of one of our horizontal well plans. You can see the potential formations and the Berea. This well will be

going after the Lower Huron shell and the Devonian shells there. It just shows different casing depths of a typical well.

This will be just regular Exhibit C, right?

Q. Correct.

A. Exhibit C on the next page, this just outlines our proposal. I'll go into each one of these in the upcoming slides here. So, I'm not going to read these off to you. But the next page, Exhibit D just shows our 320 proposed square acre unit. It gives you some dimensions there. The diagonal length is 520 feet and it's just the 3,733 foot square.

BILL HARRIS: Excuse me, do you mean 5,280 feet?

A. 5,280, I'm sorry. Exhibit E, this just shows some of the reasons why we need these 320 acre units. They would be large enough for us to account for changes in formations so we can shift our well bore path. You can see an example on the left there. This is an example of the Raven Cliff Sand Channel within the 320 acre unit. We're able to change the direction of our well bore to stay inside that sand channel unit. For the example on the right, you can see a lot of the fractures that we're going through and these units allow us to come from different directions to cross most of these vertical fractures in the Devonian shell

there.

Exhibit F, this just shows the variations and the terrain and the reservoir that can dictate the number of laterals in a given unit. We're showing right here one lateral in the Raven Cliff Sandstone unit and then we can also in that same unit attack different zones here down the Devonian Shell target there. So, two different wells going after two different formations right there in the same 320 acre unit.

Exhibit G, this shows that our 320 acre units overlies established 80 acre grid CBM units in the Roaring Fork field. So, these don't have...these just sit right over top of these units to be contiguous throughout where we're putting them.

Q. Which allows for repeatable patterns---?

A. Yeah, repeatable.

Q. ---requiring you to come back and ask for a field rule?

A. Uh-huh. Exhibit H is showing this 300 foot interior window where the producing formation will be targeted. This one shows that we're 600 feet away from any adjacent grid horizontal well bores in that formation.

Exhibit I shows that we're able to drill the actual well off of that 320 acre unit and the lateral so

that we're not actually in that producing formation until we're inside the interior window of that 320 acre unit producing. So, the surface location doesn't have to be inside the 320 acre unit in order to drill these wells.

Exhibit J is just showing the same kind of thing of a well location that's off to the side. You can see as we start going horizontal we don't actually penetrate the zone that we're after until we're within the interior window of that 320 acre unit.

Exhibit K is a minimum of 650 difference...600 foot distance, excuse me, between a horizontal well bore and any vertical well that producing from the same horizon. So, if there's a vertical well within that 320 acre unit it will be at least producing from, in this case the lower shells, our well bore will be at least 600 feet from that vertical well.

Exhibit L is just show the multiple laterals well be able to drain a larger portion of this 320 acre unit rather than just running one through there. We can drain a maximum drainage in that 320 acre unit. Showing inside that 320 acre unit, we can target various formations with different wells and it's showing what...you can drill a couple of different wells off the same drilling pad. Less surface locations and less disturbance on the surface, if

you have terrain restrictions or anything like.

O is not labeled at the top, but it's just this map showing...O I guess it is labeled, in the map there just showing the first eight horizontal units that we have outlined right here. This unit, I believe, is number two on there, on that map.

Exhibit P shows the blown up version of that Exhibit Two...of that number two unit and then also the well plat for this...it's just an example of what that looks like. Exhibit Q, it's just the benefits of horizontal drilling. We're faced with fewer issues with coal mining. There's less surface disturbance. We can more effectively extract the resource. The laterals can reach into areas otherwise inaccessible by vertical boreholes. We have higher depletion rates and shorter lives to the wells. This will encourage future development of the resource.

BENNY WAMPLER: Questions from members of the Board?

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---for---

JIM KAISER: Luke.

MARY QUILLEN: ---Luke. You said you were in a graduate program. You didn't state what the graduate

program was.

LUKE SCHANKEN: Oh, it's environmental science and environmental geology graduate program.

MARY QUILLEN: Okay.

LUKE SCHANKEN: And then all I have to left to do is a paper about my first six months in this job and then that course will be complete.

MARY QUILLEN: Okay. A second question for you. In Exhibit J it shows the well and you mention the advantage of placing the well outside of that 320 acre unit. You're not actually drilling into the resources of that unit until you are...even though it's outside the vertical drill, you're not actually draining any resources to get within the unit. Do you...I ask this question to one of the previous request that we had. The placement of that well outside of that unit, do you have...do you own that or have you leased that land that is adjacent to those units? Do you all have leases on those? The leases that you have from those folks on those adjacent units, are they receiving only the surface...any surface disturbance compensation for...and only the people who are in...leased in that particular unit that you're draining will receive the benefits from that gas that you're---

JIM KAISER: That probably will be better addressed by Mr. Hall.

DON HALL: Well, right now what we're discussing is in theory. We don't have that...we haven't done one of those yet. So---.

MARY QUILLEN: Oh, you have not done this yet.

DON HALL: No, no. That's---.

MARY QUILLEN: Okay.

DON HALL: That's a proposal that we would like to be able to do if it comes...if that situation presents itself. But at this current time, I don't think...do we---?

CRAIG ECKERT: Last month's...last month's was like that.

DON HALL: Oh, okay.

CRAIG ECKERT: We did have the location outside of the unit.

DON HALL: Okay. But it was on...it was on property that we had leased.

CRAIG ECKERT: Correct.

DON HALL: That we had to...that's Penn Virginia property.

MARY QUILLEN: And on this particular one, do you have that property leased?

LUKE SCHANKEN: This particular one is actually

inside the unit or inside that 320 acre unit.

MARY QUILLEN: Oh, okay. It is on...okay. I was looking at Exhibit J. But that's not actually the unit that you're planning to drill?

LUKE SCHANKEN: Yeah, that's not the case.

JIM KAISER: That's a general request that will be in all of these proposals in case we do need to use that scenario and it's something that we do request in the application.

MARY QUILLEN: Okay, thank you.

BENNY WAMPLER: Ms. Quillen, just so you're clear, they are asking to do that if they decide to.

MARY QUILLEN: Yes.

BENNY WAMPLER: Okay. Other questions of this witness?

(No audible response.)

BENNY WAMPLER: Call your next witness.

JIM KAISER: That's all we have, Mr. Chairman. We'd ask that the application be approved as submitted.

BENNY WAMPLER: Mr. Wilson, do you have any concerns?

BOB WILSON: No, sir.

BILL HARRIS: Mr. Chairman, let me just ask a general question. Could you tell us a little bit about some

experiences that Equitable might have drilling horizontal wells? I think I asked this to the Pine Mountain folks also. We probably discussed this before because I know you all have been here before with proposals like this.

CRAIG ECKERT: I can answer that.

JIM KAISER: Yeah, go ahead. Can you state your name?

CRAIG ECKERT: Craig Eckert, I'm a geologist with Equitable.

SHARON PIGEON: He's never been sworn.

JIM KAISER: He's been sworn.

BENNY WAMPLER: He's already sworn.

BILL HARRIS: Yeah, he's been sworn.

CRAIG ECKERT: And we have drilled I believe over fifty wells, horizontal wells in the Devonian shell between West Virginia and Kentucky, primarily in Kentucky. Our experience thus far has been that the rates of production are much higher on the average than the vertical wells. We continue to aggressively pursue the drilling of horizontal wells in those areas based our results thus far. So, we are...we are very happy with the results. They're consistent with what we're telling you here today and in the last couple of hearings about what our expected results should be and why.

BILL HARRIS: Yeah. Because you're replacing four conventional units I would say with one. So, production---

CRAIG ECKERT: Yes. And it---

BILL HARRIS: ---is justified and---

JIM KAISER: Probably actually three.

CRAIG ECKERT: And it's...yeah, it's more like a three to one difference in terms of the flow rates compared to an average vertical wells in that same formation. As...I think as Jerry mentioned...Jerry...Mr. Grantham from Pine Mountain---

BILL HARRIS: Yes.

CRAIG ECKERT: ---mentioned in different states there are different requirements for the formation of units. There are some states that are very similar to what we're proposing here today such as Arkansas as he mentioned. In our experience, you know, Kentucky and West Virginia they have...they're in different regulatory requirements. So, we're aren't forming 320 acre units there, rather we're forming long skinny units just around the---

BILL HARRIS: Like the cigar? He had talked about the cigar shape---

CRAIG ECKERT: That's right.

BILL HARRIS: ---that was mentioned earlier. ever get paid. So, I think this is actually a fair approach

CR

to horizontal drilling.

BILL HARRIS: Yeah. Well, as a follow up question, the 320 acres I know that's a nice and convenient 80 times four, you know, because they're already in...you know, putting them together. Would that be the optimum? If you were to go into an area that had...of course, I know this is...it's not easy when you answer. But if you knew something about the geology of the strata and where the gas lay and where the sand prosociety and this kind of thing, is 320 is that typical or is that---

CRAIG ECKERT: The reason we chose...the reason we chose 320 was because it afforded us the flexibility knowing that the geology changes so rapidly from one place to another. It afforded us the flexibility in the size so that we could orient approximately 4,000 foot long laterals in any direction that they needed to be within that area.

BILL HARRIS: Now, is that pretty typical for the industry is 4,000?

CRAIG ECKERT: Yeah, 4,000 feet is roughly an industry standard for conventional horizontals especially in this basin and that's what our experience has been for the other states that I mentioned.

BILL HARRIS: Thank you.

CRAIG ECKERT: You're welcome.

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?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Any further discussion?

(No audible response.)

BENNY WAMPLER: All in favor signify by saying yes.

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval. Next is a petition from Equitable Production Company for pooling of provisional horizontal gas unit VH-536928. This is docket number VGOB-07-1113-2079. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

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

BENNY WAMPLER: The record will show no others.

You may proceed.

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Don, do your responsibilities include the land involved in this provisional unit and in the surrounding are?

A. They do.

Q. And you're familiar with our application here seeking to pool the...we just formed the unit and now we're seeking to pool the unleased interest that's within this unit?

A. Yes.

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

A. We do.

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

A. Yes.

Q. So, what is the interest under lease to Equitable in the gas estate within this 320 acre unit at

this time?

A. We have 99.433% leased.

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

A. Yes.

Q. So, 0.567% remains unleased?

A. That's correct.

Q. And in this particular 320 acre provisional unit, we do not have any unknown or unlocateables, correct?

A. That's correct.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. We pay five dollars per acre on a 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 to be paid for drilling rights in this unit?

A. Yes.

JIM KAISER: Now, Mr. Chairman, we'd again ask that the statutory election options afforded any unleased parties and their times in which to make those elections and the ramifications thereof that was previously...testimony regarding that previously taken in 2050 be incorporated for purposes of this hearing.

BENNY WAMPLER: That will be incorporated.

Q. In this particular instance, Mr. Hall, the Board would not need to establish an escrow account, correct?

A. That's correct.

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

A. Equitable Production Company.

Q. Now, here's kind of a tricky one. What's the total depth of this proposed well, if there is such a thing?

A. Well, the vertical depth of the well is 4146 feet and then the lateral distance will be 4106 feet.

Q. I guess that would be the maximum allowable distance?

A. Yes.

Q. Okay. And this will be sufficient to penetrate and test the formations that we want to horizontally bore?

A. Yes.

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

A. 975 million cubic feet.

Q. Are you familiar with the well costs?

A. Yes.

Q. Has an AFE been reviewed, signed and submitted to the Board in conjunction with this application?

A. It has.

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 \$825,000 and the completed well cost is \$1,563,500.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

Q. And in your professional opinion, would the granting of this application be in the best interest of conservation and the best interest of maximizing the recovery of the gas in this unit and at the same time protect correlative rights?

A. Yes.

BENNY WAMPLER: Nothing further of this witness at this time, Mr. Chairman.

JIM KAISER: Questions from members of the Board?

BILL HARRIS: Just a couple.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: I'm not sure if this is...well, let me just ask the question. Are we looking at two lines here that are lateral or one...I mean, what are we considering? The plat shows---

DON HALL: Those are...the plat doesn't show the lateral.

JIM KAISER: Those are just property lines.

DON HALL: That's distances from existing---

BILL HARRIS: Oh, okay.

DON HALL: ---wells.

BILL HARRIS: From existing wells. Well, I have a question about that. The one to the left that's...it looks like it has been painted on.

JIM KAISER: That would be yours.

DON HALL: That's still our well. That's the one we acquired from A & R.

BILL HARRIS: Okay. And that's 458 feet?

DON HALL: Uh-huh.

BILL HARRIS: Now, is that a vertical well?

DON HALL: Yes.

BILL HARRIS: Now, did...maybe it wasn't your alls testimony that these would be 600 feet from any vertical well.

DON HALL: They will be by the time that they get to the horizontal formation.

JIM KAISER: The bore will be 600 feet from any---
.

DON HALL: Yeah.

JIM KAISER: The top hole location.

BILL HARRIS: Oh, the bore defined then. Is it horizontal...the entrance to the horizontal part, is that...I mean, how would you define the---?

DON HALL: The vertical bore would...it's closer than that. But the producing formation that we're going

into would be---.

BILL HARRIS: Yeah.

DON HALL: ---greater than 600 feet by the time you enter in it from this well.

BILL HARRIS: Why was I thinking it was the actual---?

JIM KAISER: Well, the top hole locations---.

BILL HARRIS: ---location of the drill hole, I guess?

JIM KAISER: ---...to another horizontal top hole location would have to be at least 600 feet a part but not to an existing vertical location.

BILL HARRIS: Yeah.

PEGGY BARBAR: So...Mr. Chairman, to clarify it.

BENNY WAMPLER: Mrs. Barbar.

PEGGY BARBAR: You have a vertical well to...a vertical well 600 feet, but a vertical well to a horizontal well that, I mean, surface to surface measurements. Then, the vertical well to a horizontal well you would take that measurement from the vertical well to where it actually turns into the horizontal?

BILL HARRIS: Where the production begins?

PEGGY BARBAR: Production. Is that the way---?

CRAIG ECKERT: Yes. If I may...I would like to

explain that.

BENNY WAMPLER: State your name first.

CRAIG ECKERT: My name is Craig Eckert, a geologist, again, with Equitable. In the case of the nearby well to the surface location, that well only goes to the Berea formation. We are talking about drilling this well to the Devonian shell, which is well below the Berea. So, the formation that will be productive in this horizontal well has not been penetrated by that nearby well 400 feet away. Now, in the event that it was a shell well, we would have to remain 600 feet from that bore hole where we encountered our horizontal section of the shell.

BILL HARRIS: So, the production of it...I think I just may have said just before you started the production... where the production actually begins needs to be 600 feet. I guess, I'm not...I just wasn't clear on that regulation about the 600 feet. So, it's not bore hole to bore hole?

CRAIG ECKERT: The 600 foot rule that we were---.

BILL HARRIS: Yes.

CRAIG ECKERT: ---proposing does have to be bore hole to bore hole if it's the same formations.

JIM KAISER: In case of horizontals. No, there's two different issues here. There's a top hole surface location---.

BILL HARRIS: Yes.

JIM KAISER: ---and then there's the vertical bore and the horizontal bore.

BILL HARRIS: Yeah,

JIM KAISER: And your question is, I guess, two fold.

BILL HARRIS: Yeah.

JIM KAISER: One is if you're talking about the actual vertical bore and the horizontal bore, if you're going to be producing from the same formation they have to be at least 600 feet apart. If you're talking about just the surface location, horizontal to horizontal they have to be 600 feet, but vertical to horizontal they don't. Is that clear?

BILL HARRIS: Yeah.

PEGGY BARBAR: Uh-huh.

DON HALL: And then what he said about they're in different formations, if you produce two vertical wells in different formations they can be side by side because---

JIM KAISER: It doesn't...it doesn't even require a location exception.

BILL HARRIS: Yeah, yeah, yeah, yeah. Okay, okay. Let me ask this other question. In Don's testimony I think there was a question about multiple completions. Now, how

does that apply with horizontal drilling? I mean, maybe I'm just wrong about multiple completions. Does that not mean that as you go down and encounter different areas that are producing that you complete those areas as well?

CRAIG ECKERT: Well, it is a multiple...did I hear you mention a multiple completion in this---?

BILL HARRIS: I think...I think the question... yeah, the question was---.

JIM KAISER: Yeah. Maybe it doesn't apply in this case. Maybe you need to retract that.

CRAIG ECKERT: It doesn't apply in this case. A multiple completion generally means that you will have more than one formation completed.

BILL HARRIS: Target formation which you're drilling.

CRAIG ECKERT: Right. In this case...for this particular well, there is only one formation that will be completed.

BILL HARRIS: Target in some...yeah, okay.

CRAIG ECKERT: There will be multiple...multiple intervals along that bore hole...along that lateral bore hole that will be completed, but that's not really considered a multiple completion.

BILL HARRIS: Yeah, I was just curious about hat

because, you know, the question I guess was a standard question that you---

JIM KAISER: (Inaudible) same formation---

BILL HARRIS: Yeah, yeah.

JIM KAISER: ---rather than multiple.

CRAIG ECKERT: It has been ours standard practice, again, in Kentucky that within the Devonian shell...within a single unit we will have a number of...a number of perforated intervals that are individually completed. But I don't think we really consider it a multiple completion.

BILL HARRIS: Yeah. Well, I was curious about...because that was a standard question, I think, you ask all---

JIM KAISER: Right, it is.

BILL HARRIS: ---of them and when he said, yes, I thought, now, how does that apply---

JIM KAISER: See I'm thinking a multiple as in along that horizontal bore...that 4,000 foot bore they well perforate more than one along that bore. Addition or multiple or whatever you want to call it.

BILL HARRIS: Since you mention perforation, can I pursue that just for a second?

BENNY WAMPLER: Sure.

BILL HARRIS: I know that in vertical that there

is perforation because you do the...I guess, the fracing and whatever. How is this done in perforation? Do you all decide up front where you perforate or do you it every 800 feet or is there some rule---?

CRAIG ECKERT: Horizontal wells?

BILL HARRIS: In a horizontal well, yes.

CRAIG ECKERT: The way that it's done by our company is we will drill the...we will drill the horizontal section of the well and then we will...we will set what are called a Packers Plus System, which are inflatable packers that are put on the outside of the four and a half inch production pipe that's then sent down...you know, lower down into the...into the lateral to the far extent of that hole. These packers are a couple hundred feet apart, each one. Then at such time as the pipe is put into the hole, the packers are then inflated so that they isolate zones within that horizontal section so that we can frac each zone individually. There are---.

BILL HARRIS: So, kind of like a seal or a gasket or some type that actually separate it---?

CRAIG ECKERT: Yes, exactly. It will be like a seal separating one zone from another zone from another, but all within that Devonian shell section.

BILL HARRIS: Yes, yes, yes, and fracing is done

or the perforation is done?

CRAIG ECKERT: Yeah, then the...I think there are...we have some engineers here that could answer this better than I can. But I believe there is a mechanism within that packer system that opens up and allows the frac fluid to enter the outside of the pipe, essentially the open hole section within that isolated zone---

BILL HARRIS: Yeah.

CRAIG ECKERT: ---so that zone is fraced individually from the next zone and then that's frac individually from the next zone, etcetera.

BILL HARRIS: Okay. That sounds good. Thank you.

CRAIG ECKERT: You're welcome.

BILL HARRIS: Thank you.

BENNY WAMPLER: Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: So, that we're clear...I'd like to be clear anyway. What is the target formation that you're asking for here?

CRAIG ECKERT: Lower Huron shell.

BENNY WAMPLER: Okay, only.

CRAIG ECKERT: In this particular well, yes.

BENNY WAMPLER: Why do you make that

clarification?

CRAIG ECKERT: Because there are other conventional formations that as part of our proposal for horizontal drilling with these 320 acre units could be potentially productive and accessed by horizontals within these units. But in this particular...in this particular well, we are just targeting the Lower Huron shell.

BENNY WAMPLER: And planning only one well here at this time?

CRAIG ECKERT: Yes.

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

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

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---just to follow up on that. Sometime in the future, do you see that...do you think that there may be a potential for a second well? That it would be in a different shell or a different...it wouldn't be in the same horizontal layer, is that what you're saying?

CRAIG ECKERT: Well, again, I guess going back to some of the exhibits that we have shown earlier, there could be...there could be a case where we would want to drill multiple laterals within that same Devonian shell zone, such

as the Lower Huron to, you know, most efficiently drain those reserves from one...maybe one surface location, but several horizontals into the Devonian shell. There could also be a Berea sandstone that we would want to access with a horizontal bore hole within that same unit. If possible, we would like to try to drill that from that same existing surface location. So, yes, there could be---

MARY QUILLEN: So, you're leaving the door open---
?

CRAIG ECKERT: Yes.

MARY QUILLEN: ---by clarifying with this particular request?

CRAIG ECKERT: Yes. Uh-huh.

MARY QUILLEN: And if there were another one, you would come talk to us for another...for a request for another or not?

CRAIG ECKERT: No, I don't think so.

BENNY WAMPLER: Yes, that's why I'm clarifying this. You would.

BOB WILSON: For pooling purposes.

BENNY WAMPLER: For pooling purposes.

JIM KAISER: Oh, for pooling purposes.

CRAIG ECKERT: For pooling purposes, oh, okay.

JIM KAISER: Yeah.

BENNY WAMPLER: Yeah.

JIM KAISER: But not under the formation of the unit. Right, I understand. Okay.

MARY QUILLEN: Yeah. For the pooling, yes. Correct.

BENNY WAMPLER: Yeah, I'm trying to...I'm trying to make...I'm trying to make---

JIM KAISER: You're trying to isolate this pooling and that's fine.

BENNY WAMPLER: Yes, for pooling purposes---

MARY QUILLEN: Uh-huh. Because this one is for pooling.

BENNY WAMPLER: ---because that's what we have before us here. If you had a pooling issue, you have to come back to the Board. You're asking the Board to approve the various concepts as far as what can take place in the unit with horizontal drilling.

JIM KAISER: Right.

BENNY WAMPLER: But when you have a pooling issue, it comes back here.

JIM KAISER: Right.

BENNY WAMPLER: Do you---

BOB WILSON: Yeah. Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: It would be my...my concept that if...if an additional well was to be drilled in that unit that the unit would have to be pooled again and another offer to participate would have to be afforded to the parties that were being pooled.

BENNY WAMPLER: Yeah. That's what I was getting at...that's why I was asking for the earlier clarification.

BILL HARRIS: So, that...I'm still not sure...are we talking one horizontal line or two or...I mean, the AFE includes what then?

CRAIG ECKERT: Just one.

BILL HARRIS: Just one?

CRAIG ECKERT: Yes.

BILL HARRIS: So, we're talking just the vertical one line?

CRAIG ECKERT: Yes. Just for this well.

BENNY WAMPLER: For this well.

BILL HARRIS: Okay.

BENNY WAMPLER: That's why I asked him so many questions along that line---.

BILL HARRIS: Yeah, okay.

BENNY WAMPLER: So, Mr. Wilson could know how to deal with that.

BILL HARRIS: Yeah. I needed to hear one, I

guess, or at least a number. Thank you.

BENNY WAMPLER: All right. Other questions?

(No audible response.)

BENNY WAMPLER: It's different. It's important to get it clarified.

JIM KAISER: Right. It's strictly a correlative rights issue.

BENNY WAMPLER: Right. Absolutely. Okay, do you have anything?

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: Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM KAISER: Thank you.

DON HALL: Thank you all.

BENNY WAMPLER: Next is a petition from Equitable Production Company for modification of Nora Coalbed Gas Field rules to allow for drilling or an additional well in units BR48, BU47 and BV50. This is docket number VGOB-89-0216-0009-19. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

(Off record.)

BENNY WAMPLER: Let's just...let's just go ahead and move forward. This is a petition from Equitable Production Company for modification of Nora Coalbed Gas Field rules, I called that before, VGOB-89-0216-0019-19. 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, Rita Barrett, Gary Baxter and possibly Ryan Crow on behalf of Equitable Production Company.

BENNY WAMPLER: Everybody has been sworn. So, the record will show no others. You may proceed.

JIM KAISER: Before we get started, we'd ask that...we want to excise or take out unit BR48 so that the two units that we'll be asking to modify under this petition now will be BU47 and BV50.

BENNY WAMPLER: All right.

JIM KAISER: We'll start with Ms. Barrett.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you would take these units one at a time starting with BU47 and explain the land lease situation, correlative rights situation within each and explain whether or not the additional well will be inside or outside the interior window and how we're going to handle that?

A. BU47 was on the docket at item five that Mr. Hall testified to as far as force pooling. This well was not previously field rules modified as was understood during that testimony. This well is outside the interior grid, but with the floating unit applied to this it is on all Equitable leasehold. So, we would like to request a location exception for this particular unit.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: This is the same unit that, as pointed out to me during the break, that we looked at earlier that I thought I was included in the earlier Standard Banner approval for multiple wells. This unit has not previously been brought up for multiple drilling.

BENNY WAMPLER: All right. Thank you. Questions of this witness?

Q. What about unit BV50?

A. BV50 is inside the interior grid and there's no correlative rights issues associated with this well.

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

BENNY WAMPLER: Questions of this witness?

(No audible response.)

BENNY WAMPLER: Call your next witness.

GARY BAXTER

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baxter, again, state your name, who you're employed by and in what capacity?

A. Gary Baxter. Equitable Production Company, operations engineer.

Q. And if you would, again, go through your proposal for the increased density well in the two units that remain within this application.

A. We'll begin by looking at this map here. We'll call this Exhibit A. We'll go through A, B, C and D.

This first map depicts unit BU47 and BV60.

The next page, Exhibit B, it again shows where we've...where we've got a second well granted in the unit, Sally Branch, Middle Fork, Lick Creek and Lambert land. Then in green is the one that we've already had approval for BU42 earlier and now we're asking for approval for BU47 and BV50.

Exhibit C, the next page, again, shows production rates for the Middle Fork CBM sixteen units with the first and the second well in the unit. Again, the green line is the first well only. The red line is the first well, plus the second well for an incremental rate of 1.4 mmcf per day.

The next page, Exhibit D, it shows Lick Creek CBM eleven units, first and second well production in that unit. Again, the green line is showing the first well only and the red line is showing the second well plus the first well at the incremental rate of .9 mmcf per day.

Lastly, Exhibit E is EUR calculations for the first well in the unit showing 318 mmcf per day. And, then, the second well, which is 65% of the EUR of the first 207 mmcf per day for a total in the EUR 525 mmcf per the 60 acre unit.

Q. So, again, it would be your position that the increased incremental production is worth, obviously,

the capital outlay and benefits now only the operator, but the royalty owner and the county in the form of increased severance tax?

A. That's correct.

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

BENNY WAMPLER: Let me just point out that your application...throughout the application talks about the Nora Coalbed Methane Gas Field and this is about the Middle Fork.

GARY BAXTER: Middle Fork is area inside Nora CBM Field.

RITA BARRETT: Mr. Chairman, that's just our way of keeping up with what increased density wells we're drilling. We just name them for the area. It's an internal tracking.

JIM KAISER: Yeah, it's Middle Fork and Lick Creek. It actually is in the Nora Field. But I can understand how you could be confused.

BENNY WAMPLER: I just want to make sure of what we're modifying.

JIM KAISER: We're modifying the Nora, yeah.

BENNY WAMPLER: We don't have a Middle Fork Field Rule, I don't think. Go ahead.

JIM KAISER: Nothing further at this time, Mr. Chairman. We'd ask that the application be approved as submitted with the extraction of the BR48 unit.

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval with the amendment of removing the BR48 well.

BENNY WAMPLER: 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 Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

JIM KAISER: And that approval includes the location exception for the additional well in unit BU47?

BENNY WAMPLER: Yes.

BOB WILSON: Mr. Chairman---

JIM KAISER: Through...well, that's through the permitting process, I guess.

BENNY WAMPLER: Yeah.

BOB WILSON: ---I would...I would prefer that we

leave that under the normal pattern such that you submit the---.

BENNY WAMPLER: It's just for the field rule modification.

JIM KAISER: Submit it under the permit?

BOB WILSON: Yes.

BENNY WAMPLER: Right. Yeah, that approval---.

JIM KAISER: That's fine.

BENNY WAMPLER: ---is only what the application---

JIM KAISER: Strike that. Thank you.

BENNY WAMPLER: Next is a petition from GeoMet Operating Company, Inc. We're going to go for about another hour those that are trying to time us. I don't know that you can. Then, we're going to take a break and then we'll resume after that. So, we make no promises. This is docket number 07-1113-2080. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TOM MULLINS: Tom Mullins with the Street Law Firm representing GeoMet Operating Company and with me today is Jeff Taylor of that company.

GEORGE MASON: George Mason, an attorney representing LBR Holdings, LLC. I am here to ensure that

the Board knows that LBR Holdings, LLC is in support of this pooling petition by GeoMet.

(Jeff Taylor is duly sworn.)

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

TOM MULLINS: Thank you, Chairman. One correction that I need to make, we put the wrong docket number on the exhibits. I just handed a corrected set of exhibits to Mr. Wilson for that.

BENNY WAMPLER: Okay. So noted.

JEFF TAYLOR

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your name?

A. Jeff Taylor.

Q. By whom are you employed, Mr. Taylor?

A. GeoMet Operating Company.

Q. And your job duties?

A. Project manager of Virginia and West Virginia Operations.

Q. Are you familiar with the application for the force pooling of unit QQQ-36?

A. Yes.

Q. How many acres are in this unit?

A. 23.68.

Q. This is a unit that is a state border unit, so it's different...it's configured a little bit differently than a normal 80 acre unit, is that correct?

A. Yes.

Q. And this is located in the Oakwood Field?

A. Yes.

Q. Does GeoMet have drilling rights in this unit?

A. We do.

Q. Are there any parties listed on Exhibit B-3 that need to be dismissed here today?

A. No.

Q. Are there any...excuse me. What is the percentage of coal ownership that GeoMet has under lease in this unit?

A. 87.75.

Q. And the percentage of gas ownership?

A. 65.8125.

Q. Was notice sent to the parties entitled to receive notice pursuant to Virginia Code Section 45.1-361.19?

A. Yes.

Q. And the green cards were delivered today to Mr. Wilson. Is GeoMet authorized to do business in the Commonwealth of Virginia?

A. Yes.

Q. Has GeoMet filed a bond with the Department as required by statute?

A. Yes.

Q. What are the terms that GeoMet offers to those who voluntarily enter a lease agreement with them?

A. Twenty dollars per acre for a five year paid up lease and a one-eighth royalty.

Q. In your opinion, as a operator in the Oakwood Field, is that a fair and reasonable lease term?

A. Yes.

Q. What is the percentage of the gas estate that GeoMet is seeking to pool?

A. 34.1875%.

Q. What is the percentage of the coal estate that is sought to be pooled?

A. 12.25%.

Q. Are there any unknown owners?

A. No.

Q. Are there parties whose interests are in dispute?

A. Yes.

Q. Are those what we have been referring to in prior hearings the Roger Cousins?

A. Yes.

Q. Are those parties identified on Exhibit E?

A. They are.

Q. And involve Tracts Numbers One and Two?

A. Yes.

Q. And an Exhibit E has been attached to the application showing the conflicting ownership interest?

A. Yes.

Q. Is GeoMet requesting that this Board pool the unleased interest in these units?

A. Yes.

Q. Where should correspondence be sent by any person wishing to make any elections pursuant to a force pooling order that would be entered?

A. Joseph L. Stevenson, Land---

Q. What's his...go ahead. I'm sorry.

A. ---Manager for GeoMet Operating Company, 5336 Stadium Trace Parkway, Ste. 206, Birmingham Alabama 35244.

Q. Did you assist or review the well cost estimate for the...for this well?

A. I did.

Q. And were the estimated reserves based upon an 80 acre unit?

A. They were.

Q. And is that 624 mmcf?

A. That's correct.

Q. Do you have an estimate as to the production for the unit as it is configured?

A. 188...184 million cubic feet.

Q. That's based upon a 23.68 acre unit?

A. That's correct.

Q. What is the total depth of the well proposed for this unit?

A. 2,269 feet.

Q. And that estimated well completion costs?

A. \$418,050.

Q. Dry hole costs?

A. \$178,750.

Q. And that estimated well cost is Exhibit C to the application, is that correct?

A. I think so, yes.

Q. Does the estimated well cost include a reasonable charge for the supervision of the drilling of the well?

A. It does.

Q. In your opinion, would the granting of this application promote conservation, protect correlative rights and prevent waste?

A. It would.

TOM MULLINS: Mr. Chairman, I have no further questions unless the Board has some questions or would like some more information.

BENNY WAMPLER: Questions from members of the Board?:

BILL HARRIS: Yes.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: I have just a couple. What's the target depth for this?

JEFF TAYLOR: It would be the Pocahontas coal seam, probably at P1.

BILL HARRIS: But footwise, I mean, do you have an estimate of---?

JEFF TAYLOR: 2,269 feet. That's at the bottom of the estimated well cost, the main bottom.

BILL HARRIS: Oh, okay. Yes, okay, I see. One other question about...I'm a little confused about the well plat. We're looking at the actual unit being...oh, here we go again. I asked this the last time.

JEFF TAYLOR: It's that border---.

BILL HARRIS: Yes.

JEFF TAYLOR: Yeah.

BILL HARRIS: So, this is actually a piece of the standard square...yeah, okay.

JEFF TAYLOR: And that being West Virginia.

BILL HARRIS: So, this is the lower left, okay.

JEFF TAYLOR: Yes.

BILL HARRIS: Okay, yeah. Okay, yeah. So, three is actually included...well, it would be if that were a standard unit size. Yeah, okay. That's okay. Thank you. I had that same question the last time, I think. Thank you very much.

JEFF TAYLOR: No problem.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TOM MULLINS: No, sir.

BENNY WAMPLER: Do you have anything for them?

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 Board 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, and thank
you Board.

BENNY WAMPLER: Next is a petition from CNX Gas
Company, LLC for pooling of the Oakwood Gas unit N-17,
docket number VGOB-07-1113-2081. 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: Before you get into this, let me
ask you. We've got some folks back here for item twenty.
Would it mess you up to go to twenty so they won't have to
wait further. Is that---

MARK SWARTZ: It doesn't...it's not going to take
us very long to do our stuff. So, I don't care if you want
to take that out of order. I mean, that's fine with me.

BENNY WAMPLER: Are you number twenty? Is that
one that you folks are waiting on?

AUDIENCE: Yes.

ELIJAH LEE: 2084.

BENNY WAMPLER: 2084. Okay, I'm going to go ahead and call that so that you don't have to wait long in case we get tied up on something.

MARK SWARTZ: Not a problem.

BENNY WAMPLER: Next is a petition from Pine... strike...I'm sorry.

BOB WILSON: Yeah, they aren't here. That's all right. Gus, is going to retrieve them.

BENNY WAMPLER: If he can catch them, I'd like to go ahead and...

(Off record.)

BENNY WAMPLER: I'm calling you out of order here, but I didn't want these folks to have to be tied up while we have lunch. Okay, I'm going to strike that previous one I called and just go to this. This is a petition from Pine Mountain Oil and Gas, Inc. for creation and pooling of conventional gas unit V-537913, docket number VGOB-07-1113-2084. We'd ask the parties that wish to address the Board in this matter to come forward at this time. This is number twenty on the Board's agenda.

TIM SCOTT: Tim Scott, Phil Horn and Jerry Grantham for Pine Mountain Oil and Gas.

BENNY WAMPLER: And if you will, sir, just state your name for the record.

ELIJAH LEE: Elijah Lee.

BENNY WAMPLER: Okay. And what we'll do is we'll have them present their information and then I'll let you ask any questions that you have, okay, at that time. We need to get him sworn.

(Elijah Lee, Phil Horn and Jerry Grantham is duly sworn.)

BENNY WAMPLER: You may proceed.

PHIL HORN

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

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. Range Resources-Pine Mountain, Inc.

Q. And what is your job description, please?

A. I'm a district landman. I'm in charge of running the land department.

Q. Did you participate in the preparation of this application now pending before the Board?

A. Yes, I did.

Q. And is this unit subjected to statewide spacing?

A. Yes, it is.

Q. And what is the...what does this unit... what's the acreage for this unit...what's the acreage for this unit contain?

A. It's a 112.69 acres.

Q. Does Pine Mountain have drilling rights in this unit?

A. Yes, we do.

Q. And are there any respondents listed as unleased on Exhibit B-3 who need to be dismissed?

A. Yes. Clarence Walden, number 16 and number 17.

Q. Those are Tracts 16 and 17?

A. Yes.

Q. Okay. Have you attempted to reach an agreement with the other parties listed on Exhibit B-3?

A. Yes, we have.

Q. And what would those efforts be?

A. We've contacted the lessors. We've talked to them on the phone at the non-residence. We've met with them in person. We've left them oil and gas leases. We've

made a diligent effort to complete the deal with them.

Q. Okay. What percentage of the unit does Pine Mountain have under lease?

A. We have 95.4...95.94%.

Q. And how was notice of this hearing provided to parties respondent?

A. By certified mail.

Q. And was there any other means?

A. Yes. Notice of hearing was published in the Bluefield Daily Telegraph.

Q. What date?

A. On October the 20th, 199...2007.

Q. Are there any unknown owners in this unit?

A. Yes. Number 3.

Q. And how...did you attempt to locate these parties?

A. Yes, we did. We couldn't...we had no luck trying to locate them.

Q. What...what tract was affected by the unknown?

A. It's...it's the Arrington Cemetery. We...it goes back to some 1940 reservations. A cemetery from a piece of property and we've run their name forward and we've checked the Courthouse records and we

couldn't...we couldn't find any of them.

Q. Okay. So, you made a diligent effort to locate them?

A. Yes, we have.

Q. Have you filed proofs of publication for the mailing with the Board?

A. Yes, we have.

Q. And---?

BENNY WAMPLER: Let me just stop you right there just a second. Just for everybody...if you want to lunch, then go. We're going to break for lunch when we finish this case. So, if that gives you a few more extra minutes, then go for it. Proceed.

TIM SCOTT: Do you want me to slow down?

MARK SWARTZ: Are coming back at 1:00, Mr. Chairman?

BENNY WAMPLER: Yes. Proceed.

TIM SCOTT: Yes, sir.

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

A. Yes, we are.

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

A. Yes, it is.

Q. In the event you are able to reach an agreement with the parties' respondent listed on Exhibit B-3, what would their terms be that you would offer?

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

Q. And is this reasonable compensation to be paid for units in this area---

A. Yes, it is.

Q. What percentage of the oil and gas estate is Pine Mountain seeking to pool?

A. 4.06%.

Q. And we just mentioned a minute ago that we do have some unknown parties, is that right?

A. That's correct.

Q. So, an escrow requirement...there is an escrow requirement for this unit, is that right?

A. That's right for Tract 3.

Q. Okay. Are you requesting the Board to establish a drilling unit and to pool their interest listed Exhibit B-3?

A. Yes, I am.

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

A. Yes.

Q. And what would be the address of any correspondence with regard to elections with regard...as to this unit?

A. Pine Mountain Oil and Gas, Inc., 406 West Main Street, Abingdon, Virginia 24210, Attention: Phil Horn.

Q. And should this be the address for all communications?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next...do you have questions of him?

ELIJAH LEE: Yeah. They're offering us fifty dollars to sign it. We own our gas and coal rights. We own it. I just don't think that's right.

BENNY WAMPLER: What tract are you?

PHIL HORN: It's 13 and 14, I believe. Tracts 13 and 14. They have .34 acres. In cases that you're not over...where it has been testified here before, if it's less...if it's small tracts we make minimum payments.

BENNY WAMPLER: Do you agree that he owns his gas?

PHIL HORN: Yes.

ELIJAH LEE: They say the well is going straight down, right? It's a vertical straight down well?

PHIL HORN: Yes.

BENNY WAMPLER: He's saying yes.

ELIJAH LEE: I just don't think fifty dollars is a...we own it.

BENNY WAMPLER: You've not leased, right?

ELIJAH LEE: No.

BENNY WAMPLER: Yeah. So, you know, the money...are you proposing that that money go into escrow? Do you have a dispute of ownership?

PHIL HORN: No, this is a conventional well. So, there shouldn't be any dispute.

TIM SCOTT: We're not...we're not disputing the ownership, Mr. Chairman.

PHIL HORN: Yeah, we've contacted--.

BENNY WAMPLER: You're agreeing that he owns the gas?

PHIL HORN: Yes...yes, sir.

BENNY WAMPLER: And his ownership is what percentage?

PHIL HORN: It's like .27% of the unit.

ELIJAH LEE: I've missed two days of work coming up here over this.

BENNY WAMPLER: Where do you live?

ELIJAH LEE: Middle Ridge.

BENNY WAMPLER: The Board doesn't set any lease terms or anything like that at all. They would be obligated to pay you for your percentage of gas that they drain and sell. Okay?

BILL HARRIS: In other words, it is more than the fifty dollars I would presume. The fifty dollars, is that a rental or what is that?

PHIL HORN: No, they own like a third of an acre. So, instead of paying them a third of six dollars, we've offered them a fifty dollar minimum payment. On small tracts that don't add up to fifty dollars, we round it up to fifty dollars.

BILL HARRIS: But is...I mean, I gather that he's under the impression that that's all that he's getting for the gas that's there. Is that...I'm putting words in your mouth?

PHIL HORN: More likely the percent of---.

ELIJAH LEE: What, that comes out of the wells?

PHIL HORN: Right, an eighth royalty.

ELIJAH LEE: The whole well?

PHIL HORN: No, your proportionate part of the well.

ELIJAH LEE: What would that add up to be?

PHIL HORN: It looks like it's .27%. An eighth of that.

ELIJAH LEE: How much would that be a month, five dollars?

PHIL HORN: I don't...I'm not even sure. Maybe not that much.

ELIJAH LEE: I'd like to know, you know.

PHIL HORN: Well, I can't testify to that. I can testify to who owns. Somebody...you'd have to ask Jerry or somebody else.

TIM SCOTT: This is a proposed well. We don't have production records at this point.

BENNY WAMPLER: Right. You don't have production on it and don't know what the price would be at that time. I mean, I think it's reasonable he couldn't answer that. But you would get...they would pay you...the fifty dollars...I'm trying to make sure you understand that part is for the---

ELIJAH LEE: I just don't want to sign it for fifty dollars. That's not enough since we own it. I figure at least a thousand.

BENNY WAMPLER: Is the land...is the well going on the land where he owns it?

PHIL HORN: No, sir. He's over on the eastern part of the unit, like a thousand feet away.

BENNY WAMPLER: And that's an issue the Board has no jurisdiction, in other words, to set that kind of rate.

ELIJAH LEE: What do we do? What can we do? Nothing.

BENNY WAMPLER: You don't...well, this Board has no jurisdiction. It would take a Court of law to have jurisdiction. This Board wouldn't. We can't set a rate that they pay you like that.

ELIJAH LEE: Well, what...what do I do?

BENNY WAMPLER: I mean, I can't...I can't tell you...I can't advise you---.

ELIJAH LEE: Who can I...what can I do to stop it? Go to Court?

BENNY WAMPLER: Well, the law in Virginia is not one hat lets you stop it. It's just to make sure that you get paid.

ELIJAH LEE: Yeah, I understand that. But we own...you know, we own our gas.

BENNY WAMPLER: Right.

ELIJAH LEE: I don't think it's right, that's what

I'm saying.

BENNY WAMPLER: You don't think it's right that they...that they drill the well and produce the gas?

ELIJAH LEE: If we get paid better than what we should because we own it. I could understand if they owned it, you know, and we didn't own our gas rights, but we own our gas rights.

BENNY WAMPLER: But what they're...what they're saying is you'll get paid for that percentage off ownership that you do own. The fifty dollars is not what they're offering you total for the gas.

ELIJAH LEE: Well, I know that.

BENNY WAMPLER: Okay. All right.

ELIJAH LEE: But they're also going to shoot, I know that. They says it won't crack up my land under my house.

PHIL HORN: Well, we're drilling wells on hardwood surface. If you look on the plat, you can see that their property is approximately a 1000 feet away.

BENNY WAMPLER: And your fracing is projected at what?

PHIL HORN: I couldn't answer that one.

BENNY WAMPLER: Are they at 14?

PHIL HORN: Yes, sir, 14 and 13.

BENNY WAMPLER: Okay. All right.

SHARON PIGEON: Is 13 in the unit?

PHIL HORN: Yeah, part of 13 is in the unit.

BENNY WAMPLER: I mean, we'd try to help you, but there's...we have no jurisdiction to stipulate what they pay you for the use of that. Only that they pay you for your percentage share of production. They'll have to do that and that is before the Board, but not what they offer you as far as compensation.

ELIJAH LEE: Well, I just don't want to sign it, not for that. I mean---

BENNY WAMPLER: You don't have to. They've shown that area as unleased. Right?

PHIL HORN: Yes, sir.

TIM SCOTT: Yes, sir.

BENNY WAMPLER: You don't have to sign it.

ELIJAH LEE: Okay, so...but they still get to drill the well, right, and they get the gas?

BENNY WAMPLER: Yes.

ELIJAH LEE: Well, where does the money go if we don't sign it?

BENNY WAMPLER: Well, the money goes to the owners. Everybody that...see, if you look at that plat...show him the plat.

ELIJAH LEE: Yeah, I've seen...yeah, I've seen that.

PHIL HORN: He has seen the plat. You've seen the plat.

ELIJAH LEE: Yeah.

BENNY WAMPLER: It's everybody in that...in that area that the percentage...whatever percentage of ownership that you have of the unit?

ELIJAH LEE: I don't want to sell it until I have to. We own it.

MARY QUILLEN: Mr. Chairman---

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: ---I don't think he...I think he asked the question, where does the money go? The money that...if you don't sign the lease would go into escrow. It would be held for---

BENNY WAMPLER: No, not this...this is conventional. This is not---

MARY QUILLEN: Not in the conventional?

BENNY WAMPLER: No.

SHARON PIGEON: He has no conflict. There's no question.

MARY QUILLEN: So, there's no questions---?

BENNY WAMPLER: They're not disputing he owns the

gas.

MARY QUILLEN: Oh, okay.

BENNY WAMPLER: Okay.

MARY QUILLEN: Okay.

SHARON PIGEON: So, he'll get a check directly.

MARY QUILLEN: Okay.

TIM SCOTT: Should...Mr. Chairman, if Mr. Horn will be glad to do this, we can discuss the issues of what the options are once...if the order---

BENNY WAMPLER: That's fine.

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, what options are available to parties respondent should the Board approve our application today, what would be the options to Mr. Lee?

A. Mr. Lee could execute an oil and gas lease or they could participate or pay their proportionate share of the well and be a working interest partner or they can go non-consent and come in for their full working interest after the well pays out 200%.

Q. So, there are alternatives available?

A. Yes, under the force pooling.

Q. Under the order itself?

A. He will be noticed and he will have those options.

Q. The point of all of this is so that the gas under Mr. Lee's property is not drained without compensation, is that correct?

ELIJAH LEE: Well, is there anyway that you can drill it and get it without getting ours?

PHIL HORN: According to the State, we have to pay royalty on a 1250 circle and your property is located within 1250 feet. We're going by the State Regs here.

ELIJAH LEE: Well, I just don't want to sell it.

PHIL HORN: Right. And you'll have other options whenever they rule on this, if they rule the way I think they will, and then you can...you can pay for your share of the well if you wanted to do that. That would be one of your options.

ELIJAH LEE: I guess I could.

BILL HARRIS: But that entitles...what does that entitle him to though? I mean, he needs to know if that...if he pays for that, is that an increase in---?

TIM SCOTT: He would then get a portion of the share of the working interest.

ELIJAH LEE: How much would I...how much would I have to borrow to do this?

PHIL HORN: Well, we'll have to testify as to what the AFE is...what the total anticipated costs are, which we haven't---

TIM SCOTT: But his...his percentage of participation would also be based on the percentage in the unit.

BILL HARRIS: So, if he had .27% give or take---?

TIM SCOTT: Yes, sir.

BILL HARRIS: ---then if he wanted to participate then he would...he would need to pay .28 or .27% of the AFE amount?

PHIL HORN: Which is somewhere around a half million dollars, I think.

TIM SCOTT: Yes, sir.

BILL HARRIS: So, .27% of that?

PHIL HORN: Right.

BILL HARRIS: Now, again, what does that entitle him to though? I mean, what's his---?

PHIL HORN: He would have his...instead of having the one-eighth royalty, he would have his entire percent of the well. He would be a working interest partner. He would have a 100% of that, but he will have to pay his share up front---

BILL HARRIS: So, he---

TIM SCOTT: Or be carried until---

PHIL HORN: Right. He's talking about the participation.

BILL HARRIS: So, it would entitle him to more money for the gas that's under his property---

PHIL HORN: Right.

BILL HARRIS: ---if he participated, but he would put money up front to do that?

PHIL HORN: That's correct.

ELIJAH LEE: How much money?

PHIL HORN: Whatever 500,000, more or less, times a quarter a percent is, which I don't know...we---

MARY QUILLEN: It's around a \$150,000.

PHIL HORN: It makes 1500.

BILL HARRIS: No, no, no, no, no.

PHIL HORN: 1500.

TIM SCOTT: \$1500.

BILL HARRIS: So, 1500.

ELIJAH LEE: So, if I borrowed \$1500 and give to you all I get how much?

PHIL HORN: You would get .27% of the production instead of one-eighth of .27%.

ELIJAH LEE: How much would that be?

PHIL HORN: I don't know.

BILL HARRIS: Yeah, it depends on---.

PHIL HORN: I don't know.

ELIJAH LEE: \$1500 is a lot of money.

KATIE DYE: Mr. Horn...Mr. Chairman.

BENNY WAMPLER: Sure.

KATIE DYE: I have a comment here. Could you explain to him about how it works on a carried basis?

PHIL HORN: Huh---.

KATIE DYE: I think he would come out better financially if he participated that way. I'm I correct?

ELIJAH LEE: Or just buy all my gas. I'll sell you all my gas.

PHIL HORN: If he elected to go non-consent, which means you would not have to put any money up front and, if and when, the well paid for itself two times, then you would come in for your .27% as if you had paid part up front. But the well would have to pay for itself twice. The back...the disadvantage of being a working interest partner is you would have to also pay your proportionate...you would also have to pay your proportionate part of the...to operate the costs of the well. Normally, after wells gets older, the productions lower and the operating costs are higher. They require more maintenance. But that's his third option...well, the third option would be signing a lease.

ELIJAH LEE: Is there anyway I can think about this or something or another---?

BENNY WAMPLER: Well, whatever the Board acts on, these options they're talking about would be in the Board if the Board approves this. I mean, you would have an opportunity. It would be thirty to forty-five days before you would get that in the mail and you would have an opportunity after that to make a decision.

ELIJAH LEE: Okay.

BILL HARRIS: I mean, if...for that amount of money, I mean, that may be worthwhile to do that in terms of ensuring more money back.

ELIJAH LEE: (Inaudible). I want to get all we can get out of it if they're going to get it, you know.

BILL HARRIS: Yeah. Unfortunately---

BENNY WAMPLER: We understand that.

BILL HARRIS: ---you know, once they drill a well, you know, this...the well...the gas migrates all around. So, if they start drawing in the center here, it's going to draw from all areas and it will migrate. So, it's going to probably include yours in the group. But there are some options that may entitle you to more...that should entitle you to more than what you would get if you just didn't do anything.

BENNY WAMPLER: Just stay and listen and let us go through the case here and you may have another question when we get through it. You may pick up some information that you want to hear. Go ahead.

TIM SCOTT: I don't have any further questions for Mr. Horn.

BENNY WAMPLER: Any questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next---.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Excuse me. Did you not say that Clarence Walden had leased his two tracts to you?

PHIL HORN: That's correct.

BOB WILSON: Do you have revised exhibits to reflect that?

TIM SCOTT: I do.

BOB WILSON: Okay. Thank you.

SHARON PIGEON: You're just not going to share them with us.

TIM SCOTT: I'm sorry, you can't have them. Let me finish with Mr. Landon and then I'll do that.

BENNY WAMPLER: Go ahead and call him.

TIM SCOTT: Okay. Mr.---

COURT REPORTER: He needs to be sworn.

TIM SCOTT: You need to be sworn.

(Ian Landon is duly sworn.)

COURT REPORTER: State your name, please.

IAN LANDON: Ian Landon.

IAN LANDON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Landon, by whom are you Employed?

A. Pine Mountain Oil and Gas.

Q. And what is your job description, please?

A. I'm operations manager.

Q. And did you participate in preparing this drilling application?

A. Yes, I did.

Q. What is the total target depth of this proposed well?

A. 5,650 feet.

Q. And are you requesting the pooling of conventional resources between the surface and the target

depth, is that correct?

A. That is correct.

Q. What's the estimated reserves for this unit?

A. 250 million cubic feet.

Q. And are you also familiar with the proposed well costs?

A. Yes, I am.

Q. And what is the estimated dry hole cost?

A. \$257,958.

Q. And the completed well cost?

A. \$512,853.

TIM SCOTT: You have the wrong one.

SHARON PIGEON: What was that?

BENNY WAMPLER: We don't have...we don't have any of that.

MARY QUILLEN: None of this...none of this---.

BENNY WAMPLER: We don't have...the TD and everything is different.

PHIL HORN: He's got the wrong AFE.

TIM SCOTT: It's my fault. I've been ruffling through my papers here. Here we go. Sorry, Mr. Landon.

BENNY WAMPLER: Start with the TD question.

TIM SCOTT: I'm sorry about that.

Q. Okay. What is the proposed target depth for this well?

A. You gave me the same AFE.

(Pause.)

TIM SCOTT: I apologize. Here we go. Sorry.

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

A. 5,280 feet.

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

A. 400 million cubic feet.

Q. Okay. What's the estimated dry hole cost?

A. \$239,141.

Q. And the completed well cost?

A. \$473,003.

Q. And the AFE that you have in front of you, you did sign that, is that right?

A. That is correct.

Q. You participated in the preparation of that AFE?

A. That's correct.

Q. It has now been filed with the Board. Does the AFE include a charge for supervision?

A. Yes, it does.

Q. In your opinion, would the granting of this application promote conservation, prevent waste and protect correlative rights?

A. Yes, it would.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

TIM SCOTT: No, sir.

BENNY WAMPLER: Have we answered your questions?

ELIJAH LEE: Yes. Yeah, you answered them. Yeah.

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BENNY WAMPLER: Is there a second?

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: So, they have approval. You'll get in the mail...they mail you the options that you have and you can make your decision about that then.

SHARON PIGEON: Mr. Scott, you need to get us some revised exhibits B---.

TIM SCOTT: I will.

SHARON PIGEON: At least B, B-3---.

TIM SCOTT: E is the same.

SHARON PIGEON: Yeah, I thought it was. So, it just the two, B and B-3.

BENNY WAMPLER: We're going to lunch.

(Break.)

BENNY WAMPLER: Okay. We're back on the record. The next item is a petition from CNX Gas Company, LLC for pooling of Oakwood Gas unit N-17. This is docket number VGOB-07-1113-2081. 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: Les, do you want to me sworn?

(Leslie K. Arrington is duly sworn.)

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. And 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 were you the person that was charged with preparing the notices of hearing and applications and related exhibits for today, or that you didn't actually do it yourself, the person who was supervising the people that did it?

A. Yes.

Q. And did you, yourself, sign all of the notices and all of the applications that are on the docket today?

A. Yes, I did.

Q. Okay. And with regard to this first case

that the Chairman has called, N-17, what kind of a unit is this?

A. It's an Oakwood 80.

Q. Okay. And is it an Oakwood 1 frac well unit?

A. Yes, it is.

Q. Okay. And how many wells are proposed?

A. One.

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

A. Within the drilling window.

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

A. Yes. It's a \$197,508.14 to a depth of 1,266 feet. The permit number is 6928.

Q. Uh-huh. And would you tell the Board what interests you've been able to acquire and what it is you're seeking to pool?

A. We have 100% of the coal owner's claim to the coalbed methane leased and 94.1875% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 5.8125% of the oil and gas owner's claim.

Q. And is escrow required here?

A. Yes, it is for Tract 12 and 13.

Q. And is that just traditional conflicts between oil and gas and coal estates?

A. Yes, it is.

Q. There are no split agreements?

A. No.

Q. This is a frac well?

A. Yes.

Q. Who is the applicant?

A. CNX Gas Company, LLC.

Q. And if the application were approved and the unit was pooled, who is it that the applicant is requesting be the Board's designated operator?

A. CNX Gas Company, LLC.

Q. And in that regard, is CNX Gas Company, LLC a Virginia Limited Liability Company?

A. Yes, it is.

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

A. Yes.

Q. Has it registered with the Department of Mines, Minerals and Energy and the Division of Gas and Oil?

A. Yes, it has.

Q. And does it have a bond on file as required by law?

A. Yes, it does.

Q. It is your opinion that drilling one frac well within this...within the drilling window of this unit is a reasonable method and way to develop the coalbed methane resource from this unit?

A. Yes, it is.

Q. Is it your further opinion that if you combine a pooling order pooling the respondent named in the notice of hearing and in Exhibit B-3 would the folks and interest that you've acquired by lease or purchase that the correlative rights of all owners and claimants will be protected?

A. Yes, they will be.

Q. What lease terms have you offered to the people that you've been able to reach agreements with?

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

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

A. We mailed by certified mail, return receipt on October 12, 2007 and published in the Bluefield Daily Telegraph October the 27th, 2007.

Q. Do you wish to add any respondents today?

A. No.

Q. Do you wish to dismiss any?

A. No.

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

A. Yes.

Q. When you published, what was published?

A. The notice of hearing and location exhibit.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Did drilling costs go down?

LESLIE K. ARRINGTON: No, actually, if you will notice the actual depth of this well is 1266 feet.

BENNY WAMPLER: What are you drilling into? What seam?

LESLIE K. ARRINGTON: It should be an upper seam frac well.

BENNY WAMPLER: Okay. All right. Other questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Do you have anything further?

(No audible response.)

BENNY WAMPLER: Mark, do you have anything further?

MARK SWARTZ: No, I do not. I'm sorry.

BENNY WAMPLER: Is there a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

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

(No audible response.)

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

(All Board members signify by saying yes, 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. Next is a petition from CNX Gas Company, LLC for pooling of Oakwood Gas unit FF-42. This is docket number VGOB-07-1113-2082. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

MARK SWARTZ: Again, this will be Mark Swartz and

Les Arrington. Mr. Chairman, if I could, I would like to incorporate Mr. Arrington's testimony regarding his employment, the applicant and proposed operator and the standard lease terms that have been offered.

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Mr. Arrington, you need to state your name one more time.

A. Leslie K. Arrington.

Q. Okay. What unit are we talking about in this application?

A. This unit FF-42.

Q. And it's a pooling request?

A. Yes, it is.

Q. What kind of unit is it?

A. It's an Oakwood unit that has 89.67 acres in it.

Q. So, it must be on a perimeter?

A. Yes, it is.

Q. The...where is...how many wells are

proposed?

A. One.

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

A. Within.

Q. Have you provided a well cost estimate?

A. Yes. The cost is \$243,675.44 to a depth of 2,457 feet. The permit number is 8571.

Q. Okay. And it looks like you've got some revised exhibits today?

A. Yes.

Q. And the reason for that appears to be that you've leased a couple of folks between the time that you've filed this application and today?

A. That's correct, it has.

Q. So, you've given the Board an Exhibit B-2, correct?

A. Yes.

Q. And is it your request that the folks that you've identified in Exhibit B-2 be dismissed as respondents?

A. Yes.

Q. For what reason?

A. They were leased.

Q. Okay. And have you revised Exhibit B-3 to reflect the fact that they no longer need to be pooled?

A. That's correct, we have.

Q. And is that really the only change between the B-3 that you filed with the application and the B-3 that you filed today?

A. Yes, it is.

Q. And presumably there has been a change in the percentages, is that correct?

A. Yes.

Q. And is the revised Exhibit A, page two, does it reflect the current percentages that need...that you've obtained and the percentages that need to be pooled?

A. Yes.

Q. And would you summarize those for the---?

A. Yes, we have 100% of the coal owner's claim to coalbed methane leased and 84.1241% of the oil and gas owner's claim leased. We're seeking to pool 15.8759% of the oil and gas owner's claim to coalbed methane.

Q. Okay. What did you do to advise the respondents, and others, that there was going to be a hearing today with regard to your application concerning FF-42?

A. We mailed certified mail, return receipt on

October the 12th, 2007 and published in the Bluefield Daily Telegraph on October the 27th, 2007.

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

A. Yes.

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

A. The notice of hearing and location exhibit.

Q. Do you want...I know you dismissed a couple of folks today identified in Exhibit B-2. Do you want to add anyone today?

A. No.

Q. Do you want to dismiss anyone besides the two people listed on Exhibit B-2?

A. No.

Q. It looks like there's an escrow requirement.

A. Yes, for the standard conflicts for 2B, 2C, 2D, 2E, 2F, 2G, 2H, 2I, 2J and 2K.

Q. All right. And no split agreement or are there?

A. No.

Q. Okay. Is it your opinion that drilling one

frac well in the location show on the plat map, which is...which happens to be within the drilling window, is a reasonable way to develop the coalbed methane under this unit?

A. Yes, it is.

Q. Is it your further opinion that if you combine a pooling order pooling the respondents that remain along with the interests of the folks that you've been able to reach agreements with that the correlative rights of all owners and claimants to the coalbed methane in this unit would be protected?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All Board members signify by saying yes, but

Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. Next is a petition from CNX Gas Company, LLC for creation and pooling of sealed gob unit VPISGU5, docket number VGOB-07-1113-2083. 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.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: I might point out that there's an error in the docket. It should state VP8SGU5.

MARK SWARTZ: It's the VP8 mine, right.

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

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

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

A. Yes.

MARK SWARTZ: Mr. Chairman, again, I'd like to incorporate Mr. Arrington's prior testimony today with regard to the applicant and the proposed operator, his employment and standard lease terms.

BENNY WAMPLER: That will be incorporated.

MARK SWARTZ: This is an application to actually do two things: Create a sealed gob unit, drilling unit and then to pool that unit. As a consequence of the request to create a drilling unit, we have also noticed people that we have leases from. So, you'll see an Exhibit B in here, which we normally wouldn't have in just a pooling application because we're creating a drilling unit larger potentially than the lease terms would allow. So, we've notified our lessors who are identified in Exhibit B of that request. Obviously, they're not...you know, we don't need them to be electing or anything like that because we have agreements with them. But because of that portion of the request probably, we usually give them...give them notice that the hearing is going to occur.

Q. In addition to just listing these folks in

the notice of hearing and in the application, Les, what did you do to tell your lessors and other respondents and other people, in general, that there would be a hearing today?

A. Yes. We mailed by certified mail, return receipt October 12, 2007 and published in the Bluefield Daily Telegraph on October 29.

Q. When you published in the paper, what did you publish?

A. We published the notice and location exhibit.

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

A. Yes, we have.

Q. This...there's a legal description of this unit at...well, it's in a couple of places, but at paragraph A, for example, in the notice of hearing, right?

A. Yes, it is.

Q. But there is also a map...if we get into the application there's a map on the Oakwood grid system, which shows its relationship to other units in the Oakwood Field, correct?

A. Uh-huh.

Q. And then there's also a map of the

underground portion in the mine of the area that you're seeking to create as a sealed gob drilling unit, is that correct?

A. That's correct.

Q. And if we look at that, this is the mine map, I'm sure you're all pretty familiar with that by now. But are the existing holes that you could use to extract gas shown on this mine map?

A. Yes, they are.

Q. Okay. And how many have you shown?

A. I believe there's five.

Q. Well, actually, it looks like six.

A. Okay.

Q. And I think in your...in your application, if I'm not mistaken, you indicate that you have indeed permitted six well bores, which are shown on the exhibit to extract the methane?

A. Right.

Q. In terms of the costs that you're seeking to allocate to this unit, how many wells are you seeking to allocate costs for?

A. Two wells.

Q. Two out of the six?

A. Yes.

Q. And you've provided the Board, I think, with a cost estimate for one well and you just simply multiple that times two, if I'm not mistaken, and what was your cost estimate for the one well?

A. For one well was \$130...let me look at your costs, \$130,616.94.

Q. And the total costs that you're seeking to allocate?

A. That would have been \$261,233.88.

Q. Okay. And we've also provided in the application the permit numbers of the six wells in Exhibit C supplement, correct?

A. Uh-huh.

Q. And we have also, I think, provided the Board with a list of the orders that it has previously issued---

A. Uh-huh.

Q. ---which could be affected by this and that's Exhibit F, correct?

A. Yes.

Q. And there we've listed the units in...that are, you know, in whole or in part within this sealed gob unit that have been pooled by Board order and we've identified the docket numbers with those orders---

A. Yes, we have.

Q. ---so that when they go to draft them an order, if they do, that they will know what to refer to?

A. Yes.

Q. Okay. What seam is this sealed gob unit going to be in?

A. Pocahontas Number 3 seam.

Q. Okay. And the mine is the VP8 mine, I think?

A. Yes, it is.

Q. Okay. Has it already been sealed off yet?

A. Yes, it has.

Q. Okay. And would you like this order to be effective as of today if it was approved, even though there wouldn't be entered---?

A. Yes.

Q. ---for a while---?

A. Yes.

Q. ---so that you can start producing?

A. Yes.

Q. Okay. How many acres are in this proposed unit?

A. 441.90.

Q. Okay. Okay, you have filed today some

revised exhibits, correct?

A. Yes.

Q. A B-2---?

A. Yes.

Q. ---which is seven pages?

A. It is.

Q. And is that a list of folks that you would like to dismiss as respondents?

A. Yes.

Q. And the reason that...they should be dismissed as what?

A. They're leased.

Q. Okay. And then have you provided the Board with a revised Exhibit B-3?

A. We have.

Q. And would that pertain to the folks that should remain as respondents?

A. Yes.

Q. And I note that in looking at the revised Exhibit B-3, although I don't know if the exhibit was incorporated in a Board order, it make it's way into the order, but several of these interests are life estate interests and that needs to be recognized?

A. Yes, they are.

Q. And it's indicated on the exhibit itself, correct?

A. Yes, it is.

Q. Besides dismissing the folks identified in Exhibit B-2 and the revised...and keeping the folks in as respondents identified in Exhibit B-3, do you need to make any other changes to the parties to either dismiss people or add people?

A. No.

Q. Okay. And all of the wells are already drilled, all six of them, correct?

A. Yes, they are.

Q. Okay. Is there an escrow requirement?

A. Yes, for Tracts 2A, 2B, 2C, 2D, 2G, 3F, 4B, 4C, 4D, 4E, 4F, 4G, 4H, 4I and 5.

Q. And then there's an Exhibit E, some folks have entered into split agreement as well?

A. Yes, there are.

Q. And what tracts are affected by those agreements?

A. 2E, 2F, 2H, 2I, 2J, 2K, 2L, 2M, 2N, 2O, 4A, 7A, 7B, 7C, 7D and 7E.

Q. And it's not actually...it's 2-0 or a 20, it's 20 as in the letter O?

A. That's right. That's right.

Q. And would you also ask that any order entered allow the operator to pay the folks who have entered into split agreements directly rather than escrowing their funds in accordance with their split agreements?

A. Yes, we do.

Q. Okay. Is it your opinion that producing gas along the...by the means identified in your exhibit and in your application and the exhibits attached thereto, drilling into the sealed gob area specifically and producing gas is a reasonable way to produce coalbed methane from this sealed gob area?

A. Yes, it is.

Q. And is it your further testimony that if you combine the leasing efforts that you've succeeded in, the agreements that you've reached with folks, with a pooling order pooling the reduced list of respondents, that the correlative rights and claims of all owners and claimants would be protected?

A. I believe it would.

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

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman, just a couple of

questions.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: Which two are you considering producing from?

LESLIE ARRINGTON: I'm not sure.

BILL HARRIS: You're not sure.

LESLIE ARRINGTON: I'm not sure which two they will produce.

BILL HARRIS: Okay. The other question is, I notice that these are in the southern portion of this layout. Is that going to adequately drain the northern portion?

LESLIE ARRINGTON: That's the only place we have gob holes. So, to say that it will adequately, it will drain it.

BILL HARRIS: Yes, okay.

LESLIE ARRINGTON: Okay.

BILL HARRIS: Yeah, yeah, okay. So, there will be some drainage---?

LESLIE ARRINGTON: Yes.

BILL HARRIS: ---from that area?

LESLIE ARRINGTON: Yes, it will be.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: What is the significance of the cross hatched areas in the area of the wells when you're mining there?

LESLIE ARRINGTON: I think what that is...the cross hatched at the wells, that's the mined out longwall area. Let me get to the map just to be sure. Yeah, the cross hatching down in the southern portion in approximately the W-8 unit, yes, that's the mined out area.

BILL HARRIS: And, also, let me ask one other thing. This little hook that comes out to 6 and 7, that's just part of this sealed area and so it---?

LESLIE ARRINGTON: It was just...right. It was just---.

BILL HARRIS: ---just comes with the territory sort of?

LESLIE ARRINGTON: It did.

MARY QUILLEN: Mr. Chairman, I have one question. How long has this been...this mine been sealed?

LESLIE ARRINGTON: Probably totally since April, I believe, of '06. I wasn't sure if we had possibly produced these. They're producing them. So, we're pooling them

MARY QUILLEN: Okay. And this...this is all a former longwall?

LESLIE ARRINGTON: Just that one---

MARY QUILLEN: Or just that one section?

LESLIE ARRINGTON: ---little crosshatched piece is all there is.

MARY QUILLEN: Oh. And so the rest of it was conventional?

LESLIE ARRINGTON: Yes. Yes, ma'am.

BENNY WAMPLER: Other questions?

BOB WILSON: Mr. Chairman, again.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: Is there area where the wells, is that structurally a high area there in this mine or do you know?

LESLIE ARRINGTON: You know, it's funny you asked that. Mark asked me the same question. I don't have a structure map with me. So, I really can't answer that.

MARY QUILLEN: Did you say...oh, I'm sorry.

BENNY WAMPLER: Ms. Quillen.

MARY QUILLEN: Did you say that this...6 and 7 is that entrance to that mine, what was original?

LESLIE ARRINGTON: You'll have to---

MARK SWARTZ: No, she's talking about---

LESLIE ARRINGTON: Oh, okay, in 6 and 7. No, that's just part of the old mining.

MARY QUILLEN: That's part...oh, okay. It just looks like a---

LESLIE ARRINGTON: No...no, ma'am. It was actually a shaft mines.

MARY QUILLEN: Oh, was it?

LESLIE ARRINGTON: Yes.

MARY QUILLEN: Oh, okay.

LESLIE ARRINGTON: And that was just piece...a leg sticking out that just happened to be associated---

MARK SWARTZ: You know, we're not...we're not asking to modify the prior orders. We just wanted you to be aware of the fact because, you know, there's still going to be production under those orders.

BENNY WAMPLER: Right.

MARK SWARTZ: And just to address, I'm not sure who asked this question, but these are degas wells associated with longwalling mine. That's why they are all right where they are. One of the wells, for example, is still in solid block of coal. I mean, we know we're not going to be using that...well, probably not, you know. And so, you know, you've got four shown here that are clearly in the gob area and one that may or may not be in the gob area and one that looks like it's in a block of coal.

LESLIE ARRINGTON: (Inaudible.)

MARK SWARTZ: Okay.

LESLIE ARRINGTON: It's a deviated hole.

MARK SWARTZ: It's a dev...okay.

BENNY WAMPLER: Other questions?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Opposed, say no.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. You have approval. Next is a petition from CNX Gas Company, LLC for repooling of Oakwood Coalbed Methane unit M-40. This is docket number VGOB-93-0420-0365-01. 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.
Yu may proceed.

MARK SWARTZ: We'd ask that we be allowed to incorporate Mr. Arrington's prior testimony regarding the applicant and operator, his employment and the standard lease terms.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

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

A. Yes, sir.

Q. This is a repooling, correct?

A. Yes, it is.

Q. And this is to drill an increased density well dictated by a mine plan?

A. It is.

Q. What kind of a unit is this?

A. It's an Oakwood 80.

Q. Okay. And neither one of the wells is going to be in the window?

A. That's correct.

Q. But presumably they're lined up with regard to the longwall?

A. They were.

Q. Okay. You provided a well cost estimate when this unit was originally pooled back in '93, correct?

A. Yes.

Q. And what was...tell us about that...that---
?

A. That well cost was \$216,815.18. For the new well is \$253,180.87.

Q. The first permit number was 2196, correct?

A. Yes, it was.

Q. And then the new well or the more recent well permit number is 7831?

A. Yes, it is.

Q. And what are the depths of the first well and the second well, if you have those?

A. Yes. I believe the depth of the first well was 1,453.30 feet and the second well was 2,327 feet.

Q. Okay. There's no escrow required here?

A. No.

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

A. We've acquired 98.3714% of the coal, oil

and gas owner's claim to coalbed methane. We're seeking to pool 1.6286% of the coal, oil and gas owner's claim to coalbed methane.

Q. And is it your opinion that it is a reasonable way to develop coalbed methane under this unit in conjunction with the mining to drill these increased density wells?

A. Yes, it is.

Q. And if you take in conjunction the leasing and acquisition efforts that the applicant has been successful with and combine that with a pooling order pooling the parties identified as respondents that the correlative rights of all owners and claimants will be protected?

A. Yes, it would be.

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

A. We published in the Bluefield Daily Telegraph on October 27, 2007. We mailed by certified mail, return receipt on October 12, 2007.

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

A. The notice of hearing and a location exhibit.

Q. And have you provided Mr. Wilson with

copies of your proof of publication and your certificates with regard to mailing?

A. Yes, we have.

Q. Do you want to dismiss any respondents today?

A. No.

Q. Do you want to add any?

A. No.

MARK SWARTZ: I believe 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: Just clarification, are you saying that anyone who would elect to participate under this order would pay proportionate share of both well?

LESLIE ARRINGTON: Yes.

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.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: Abstain.

BENNY WAMPLER: One abstention, Ms. Dye. I'm going to go ahead and go to twenty-two while you're up here.

MARK SWARTZ: Well, you need to go to twenty-one and combine twenty-two. You might as well do them together.

BENNY WAMPLER: Twenty-one is Pine Mountain. Are you doing that too?

MARK SWARTZ: Well, not on mine. I've got a---.

MARY QUILLEN: That's the wrong...you have---.

BENNY WAMPLER: Yours doesn't count.

(Laughs.)

MARK SWARTZ: Okay. When did you change this? I got this off the web yesterday, seriously. Well, I care about is T-20 and U-20. You can docket them however you want to.

BENNY WAMPLER: All right. Twenty-two and twenty-three. As I said, a petition from CNX Gas Company, LLC for a well location exception for proposed well T-20, which is docket number VGOB-07-1113-2086; and well location exception

for proposed well U-20, docket number VGOB-07-1113-2087.
We'd ask the parties that wish to address the Board in these
matters to come forward at this time.

MARK SWARTZ: Mark Swartz and Les Arrington.

(Leslie Arrington confers with Anita Duty. Off
record discussion.)

MARK SWARTZ: If we could...if we could
incorporate Mr. Arrington's prior testimony today with
regard to the applicant and operator and his employment that
would be great.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. You're still under oath. Do you understand
that?

A. Yes.

Q. Okay. Both of these cases that the
Chairman has been kind enough to call together involve
location exceptions, correct?

A. Yes.

Q. And if I understand the applications here,

essentially, both of these involve drilling wells over a Beatrice sealed gob unit and fracing those wells and producing them as frac wells as opposed to as gob wells, correct?

A. Yes.

Q. And this is...these location exceptions are to allow that kind of development to proceed?

A. Yes.

Q. And why is it that you need location exceptions? For example, let's take T-20.

A. T-20 and it's also going to be same for U-20 to be quite honest.

Q. Okay.

A. Those locations are one driven by surface topography and two by the mine works in Beatrice. So, what we have attempted to do is...there is very extremely steep terrain in that area. So, these are existing roads and benches that's in...within that area that we tried to locate on those benches and roads, the well site, according to the mine.

MARK SWARTZ: That's all I have.

BENNY WAMPLER: Questions from members of the Board?

MARK SWARTZ: I have a question for Mr. Wilson.

Can't you approve these?

BOB WILSON: (Indicates in the negative.)

MARK SWARTZ: You can't? I was wondering why we were here.

LESLIE ARRINGTON: He couldn't approve them.

MARK SWARTZ: He couldn't approve them. I thought you could under Oakwood. No?

BOB WILSON: I thought I could too.

LESLIE ARRINGTON: Not on these. These were---.

BOB WILSON: They're Oakwood I.

LESLIE ARRINGTON: I'm sorry?

BOB WILSON: Under Oakwood I, yeah.

LESLIE ARRINGTON: Under Oakwood I, but this was the second well within there.

BOB WILSON: Oh, these are second wells. Yes, okay.

MARK SWARTZ: Oh, okay.

BENNY WAMPLER: Yeah.

MARK SWARTZ: Okay.

BENNY WAMPLER: A second well in both units.

BOB WILSON: Yeah. Right. No, those I cannot approve unless they meet those criteria that we've sent out for that.

LESLIE ARRINGTON: Right.

MARK SWARTZ: Yeah, but they are to a different...
it's actually the first frac well though, right?

LESLIE ARRINGTON: No.

MARK SWARTZ: Oh, it's the second frac...okay, I
understand now because I was looking at the plats and I was
like---

BENNY WAMPLER: That's why you've got U-20 and 20A
and T-20 and T-20A.

MARK SWARTZ: Okay. Okay. Okay. I gotcha. I
was just looking at that last night and I was thinking
why...okay that's why we're here then.

BENNY WAMPLER: Questions from members of the
Board?

BILL HARRIS: Well, I have one.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: I guess, it's a technical question
about the gob versus the frac. Can you tell us a little
about what's happening here?

LESLIE ARRINGTON: Sure.

BILL HARRIS: I mean, what does the underground...
well, let me let you explain to us.

LESLIE ARRINGTON: Sure. The Beatrice Mine has
numerous areas in it that have big blocks or small blocks of
coal. What we're doing now, we have found that we can do

upper seam frac wells. If you locate them in an area that has been completely undermined, frac wells don't work too well. You've got so many fractures. You really don't get a good frac job. What we're doing is attempting to locate them over some sort of block of coal.

BILL HARRIS: Oh, okay.

LESLIE ARRINGTON: And we're doing not great, but okay.

BILL HARRIS: So, you're fracing in the block---?

LESLIE ARRINGTON: No, no, no, no. We don't...we don't even get into the Pocahontas Number 3 seam. That's haul above it. All the work it's above that.

BILL HARRIS: Okay.

LESLIE ARRINGTON: It's been okay.

BENNY WAMPLER: Your drilling costs are down too?

LESLIE ARRINGTON: Yes.

BENNY WAMPLER: Other questions?

MARY QUILLEN: Mr. Chairman, just to clarify what you just said. You said you are attempting to put those over those old pillars that are in that sealed---

LESLIE ARRINGTON: In the Beatrice Mine.

MARY QUILLEN: Oh, okay.

MARK SWARTZ: It's a huge area.

LESLIE ARRINGTON: It's huge. It's about 6,000.

MARK SWARTZ: It's several thousand acres. If you look at the mine map from---

MARY QUILLEN: Yeah. In one of the previous... yeah. Uh-huh.

MARK SWARTZ: Yeah. You can see the white areas and basically are you looking for blocks of coal, like the white areas on this map, just as an example.

LESLIE ARRINGTON: As an example.

MARY QUILLEN: Right.

MARK SWARTZ: And then locating these frac wells on the top on this theory that you haven't fractured those seams by deflecting them.

LESLIE ARRINGTON: Right. They're not---

MARK SWARTZ: Right. So, I mean, that's...so, that's kind of the idea.

MARY QUILLEN: That makes sense.

LESLIE ARRINGTON: Yeah.

BENNY WAMPLER: Other questions?

MARY QUILLEN: I thought that was what you were saying. I just wanted to make sure.

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 Katie Dye.)

BENNY WAMPLER: Opposed, say no.

(No audible response.)

BENNY WAMPLER: You have approval.

KATIE DYE: I abstain, Mr. Chairman.

BENNY WAMPLER: One abstention, Ms. Dye. Next is a petition from CNX Gas Company, LLC for modification of the Board's order regarding a horizontal drilling unit composed of Oakwood units O-22, O-23 and O-24. This is docket number VGOB-06-0321-1599-01. 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 like to incorporate the testimony with regard to applicant and operator and employment.

BENNY WAMPLER: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. You're still under oath.

A. Yes.

Q. This is a request to modify a prior decision of the Board, correct?

A. It is.

Q. What did you do to notify the folks listed as respondents that we were going to have a hearing?

A. We mailed certified mail, return receipt on October 12, 2007 and published in the Bluefield Daily Telegraph on October 30.

Q. And have you filed proofs of publication and mailing with Mr. Wilson in that regard?

A. Yes.

Q. Do you want to add any respondents or subtract any today?

A. No.

Q. Did you...did you do the drilling or some of the drilling that was contemplated by the application concerning horizontal drilling units in Oakwood units

O-22...I'm sorry, O-22, O-23 and O-24?

A. There was some drilling performed there.

Q. Okay. And how did it go?

A. We actually ended up drilling a vertical well at this location for a couple of reasons. One, we drilled for about two and a half or maybe three months one just like it, it's sister, that was not a successful well. We drilled this well as a vertical well.

Q. Okay. So, you would like to do...the request here is to extract O-22, O-23 and O-24 from the horizontal drilling unit that was previously created?

A. Yes we would.

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

BENNY WAMPLER: You didn't...you did not do or you did do the horizontal drilling.

LESLIE ARRINGTON: We did not do the horizontal drilling in this well.

BENNY WAMPLER: In this unit...in these units?

LESLIE ARRINGTON: In these...in the three units.

BENNY WAMPLER: Okay. And they were previously modified for horizontal drilling?

LESLIE ARRINGTON: Yes, it was.

BENNY WAMPLER: And you're wanting to retract that---?

LESLIE ARRINGTON: Yes.

BENNY WAMPLER: ---and change that order and go back to the vertical drilling---?

LESLIE ARRINGTON: Yes, we do.

BENNY WAMPLER: ---for the three units?

MARK SWARTZ: Just a straight Oakwood I.

BOB WILSON: Mr. Chairman.

BENNY WAMPLER: Mr. Wilson.

BOB WILSON: I was under the impression when those horizontal units were formed that the 80 acre Oakwood units were merely used to facilitate that unit but did not supercede the unit designations that were there.

MARK SWARTZ: No, we actually created a horizontal unit is the problem. So, we need to uncreate that unit, including these three. So, we had a unit on top of a unit and we want to make sure there's no confusion. We don't want a horizontal unit comprised of these three units. That's all.

BOB WILSON: Basically...yeah. Basically, the action could be just to withdraw this order.

MARK SWARTZ: I think there were six units in this order.

LESLIE ARRINGTON: We did six then.

BOB WILSON: Oh, okay.

LESLIE ARRINGTON: We did two, the one we did drill and this one also in the same order. So, we would just make sure that we get everything clear.

SHARON PIGEON: So, you---?

BENNY WAMPLER: He wants to take this out---

SHARON PIGEON: ---want those three to stay in that order---?

MARK SWARTZ: We want to...we want to extract these three from that order. Right.

BENNY WAMPLER: Because they drill there. That's why I was getting it clarified earlier.

MARK SWARTZ: Right.

BENNY WAMPLER: But they haven't drilled any here. So, they want to take these three, that unit created from these three.

SHARON PIGEON: Did you give us the number on the previous order?

LESLIE ARRINGTON: Yes.

MARK SWARTZ: Well...yeah, it looks like it. 0603211591-01. We captioned this correct so you can find it.

BENNY WAMPLER: Other questions?

BILL HARRIS: Again, I know you said why you were doing this. Could you just tell us again what happened?

LESLIE ARRINGTON: Well, they actually just drilled this well as a vertical well because of the unsuccessful bid on the other one that we were speaking to that we did drill. So---

MARK SWARTZ: This was that one that kind of looked like a Y---

LESLIE ARRINGTON: No. It was...it started out on an angle going down to the Pocahontas Number 11 seam.

MARK SWARTZ: No, no. I mean, the two sets of units that are...didn't we have...or an L shaped unit. Were they connected?

LESLIE ARRINGTON: No.

MARK SWARTZ: Okay. But there were six in that originally?

LESLIE ARRINGTON: Yes, there were six. There was three here and three at the other location.

MARK SWARTZ: Okay, okay. And we drilled in the three...is that...there you go.

LESLIE ARRINGTON: Yeah, here it is.

MARK SWARTZ: Okay.

BILL HARRIS: I'm still a little confused and maybe it's the language. When you said you drilled---

LESLIE ARRINGTON: We drilled one.

BENNY WAMPLER: They tried to drill a hori...the

drilled the horizontal in one of the units we---.

LESLIE ARRINGTON: Here's a good example.

BENNY WAMPLER: We had an order, let me explain just one thing to him and make sure---.

LESLIE ARRINGTON: Okay.

BENNY WAMPLER: ---the prior order was horizontal drilling units. We created two of them. Okay, they drilled three...they drill into one of the three units.

MARK SWARTZ: Correct.

LESLIE ARRINGTON: Yeah.

BENNY WAMPLER: They did three units combined for a horizontal drilling unit, okay? Now, he's wanting to retract the other one and leave that one. They drilled it. But he wants to leave the one that he drilled into and it retract it on the other. That's these three before. Is that correct?

LESLIE ARRINGTON: That is correct.

BENNY WAMPLER: Okay.

LESLIE ARRINGTON: The other one, the I-17, I'll give you the...the general area is I-17. We drilled on it for three months.

BILL HARRIS: I guess what I'm...what I'm curious about is how this...you know, because we see everyone...other folks moving toward horizontal drilling.

LESLIE ARRINGTON: Yes.

BILL HARRIS: Is there a problem that---?

LESLIE ARRINGTON: Oh, this was...this was...Bob will probably chime, this was truly an "experimental drill".

BILL HARRIS: Oh...oh, okay, yeah.

BOB WILSON: There are other words you could use for it too, I think.

LESLIE ARRINGTON: Yes. To be quite honest, somebody...a company came in and said we can drill it with this thing. We're going to save you money.

BILL HARRIS: Oh. And it didn't happen?

LESLIE ARRINGTON: No. Not even close.

BENNY WAMPLER: Other questions?

SHARON PIGEON: This a coalbed methane well as opposed to a conventional.

BILL HARRIS: As conventional, yeah.

BENNY WAMPLER: Yeah. Yeah, they're drilling in the shell for the most part. Other questions?

(No audible response.)

BENNY WAMPLER: Is there a motion?

BILL HARRIS: Motion for approval.

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.

KATIE DYE: I abstain.

BENNY WAMPLER: You have one abstention, Ms. Dye. Thank you.

MARK SWARTZ: Thank you all. Have a good holiday.

BENNY WAMPLER: You too.

BILL HARRIS: Thank you. You too.

MARY QUILLEN: Thank you. You too.

BENNY WAMPLER: Now, we'll go back to twenty-one. A petition from Pine Mountain Oil and Gas, Inc. for creation and pooling of conventional unit V-535999. This is docket number VGOB-07-1113-2085. We'd ask that parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Tim Scott, Phil Horn and Ian Landon for Pine Mountain.

(Mr. Scott gets organized.)

TIM SCOTT: I've got the exhibits from the last one. I'll pass those out in just one moment.

BENNY WAMPLER: Okay, the record will show there

no others. You may proceed.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name and by whom you're employed?

A. My name is Phil Horn. I'm district landman for Range Resources-Pine Mountain, Inc.

Q. And what is your job description, please?

A. I'm in charge of running the land department.

Q. And did you participate in this application now pending before the Board for the establishment of the drilling unit and pooling unleased interest for well number V-535999?

A. Yes, I did.

Q. And is this unit subject to statewide spacing?

A. Yes, it is.

Q. And does the unit contain a 112.69 acres?

A. Yes, it does.

Q. Does Pine Mountain have drilling rights in this unit?

A. Yes, we do.

Q. And do we have any respondents listed on B-3 who should be dismissed from this application?

A. Yes, we do. Tract Number 22 Freda May Skeens Bolling, Oscar Daniel Skeens, Helen Skeens Casey, Samuel Barnard Skeens and Dolly Joanne Skeens Wallace.

Q. We've just provided the Board with new exhibits. We provided a B, B-3 and an E. Is that correct

A. Yes.

Q. Okay. Originally, we had under Tract 22... were those listed as the Rufus Skeens heirs?

A. That's correct.

Q. And then on Tract 23, we had those listed as the Tennessee Skeens Heirs, is that right?

A. That's correct.

Q. Does the...do the exhibits that we've provided now have a breakdown on who the Tennessee Skeens' Heirs are?

A. Yes. We've learned that the Tennessee Skeens Heirs and the Rufus Skeens Heirs are the same Heirs that...they were married to one another even though we

couldn't determine that from the public records of Dickenson County.

Q. How did you come to know that?

A. The...one of the Rufus Skeens Heirs, who also Latina Skeens Heirs, Ms. Arthur Skeens contacted us and let us know that the Tennessee Skeens Heirs were not unknown and they were the same as the Rufus Skeens Heirs.

Q. So, we didn't have any additional notification required, is that right?

A. That's correct.

Q. Okay. Have you attempted to reach an agreement with the parties respondent listed on Exhibit B-3?

A. Yes, we have.

Q. And what were your efforts to reach an agreement?

A. We've met with some of the oil and gas owners. We've contacted them by telephone. We've mailed them leases. We've made, we think, a legitimate effort to lease the parties.

Q. As to leased versus unleased interest, what percentage of the unit does Pine Mountain have under lease?

A. Based on our new exhibit, 84.09803704%.

Q. And was how as notice of this hearing provided to parties respondent?

A. By certified mail.

Q. And by what other means?

A. Also, notice was published in the Bluefield Daily Telegraph.

Q. Have we provided...and what was the date of that publication?

A. On October the 20th, 2007.

Q. Have we provided proofs of mailing and proofs of publication to Mr. Wilson?

A. Yes, we have.

Q. Are there any unknown owners in this unit?

A. Yes, there are.

Q. Can you tell me what units...what tracts those are, please?

A. Tracts 16, 22 and 23.

Q. Have you tried to locate these parties?

A. Yes, we have.

Q. And how did you do that?

A. We checked the Courthouse records. We checked the tax records. We checked the white pages and the telephone directories and also by word of mouth.

Q. So, as it stands now, we've got their last known address or unknown addresses, is that right?

A. Yes, we do.

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

A. Yes, we are.

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

A. Yes, there is.

Q. If you were to reach an agreement with these parties respondent, what would the terms that would be offered to the unleased parties?

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

Q. And you believe this to be reasonable compensation for a lease in this area?

A. Yes, I do.

Q. What percentage of the oil and gas estate is Pine Mountain seeking to pool?

A. 15.90196296%.

Q. And we indicated earlier that we do have some unknown parties in Tracts 16, 22 and 23, is that right?

A. That's correct.

Q. So, we do have an escrow requirement, is that right?

A. That's correct.

Q. Has an Exhibit E been provided to the

Board?

A. Yes, it has.

Q. And, again, the tracts are 16, 22 and 23, is that correct?

A. That's correct.

Q. Are you requesting the Board to establish a drilling unit and to pool the unleased parties listed on Exhibit B-3?

A. Yes.

Q. And are you also requesting that Pine Mountain be named as operator of this unit?

A. Yes.

Q. What should be the addresses used for any elections made by parties respondent?

A. That should go to Pine Mountain Oil and Gas, Inc., 406 West Main Street, Abingdon, Virginia 24210, Attention: Phil Horn.

Q. Should all communications with the applicant be sent to this address?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman, I just had one

question about all of the Skeens---

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: ---listed. There is a Skeen, single, Oscar Daniel Skeen. I'd seen it, I think, in a couple of places. Is that just a different spelling of the name or is that...should that have been Skeens also? I'm on---

TIM SCOTT: Mr. Harris, our office actually did the title work on these properties.

BILL HARRIS: Yes.

TIM SCOTT: They changed their names to Skeen and Skeens--.

BILL HARRIS: Okay. I...I had suspected that that might be the case.

PHIL HORN: Yeah, they had...they got deeds and the name would Skeen, but actually they changed it somewhere down the line and they're Skeens.

BILL HARRIS: Okay. Thank you.

PHIL HORN: Yes, sir.

TIM SCOTT: A title examiner's nightmare.

BILL HARRIS: Oh, I can imagine. Yeah. Thank you.

BENNY WAMPLER: Call your next witness.

IAN LANDON

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Landon, would you state your name, please?

A. Ian Landon.

Q. And by whom are you employed?

A. Pine Mountain Oil and Gas.

Q. And are you familiar with this application?

A. Yes, I am.

Q. What is the total target depth for this proposed well?

A. 5,650 feet.

Q. And are you requesting the pooling of conventional gas reserves from the surface to the target depth?

A. Yes.

Q. What are the estimated reserves for this unit?

A. 250 million cubic feet.

Q. And are you also familiar with the well costs for this proposed well?

A. Yes, I am.

Q. What is the estimated dry hole cost?

A. \$257,958.

Q. And the estimated completed cost?

A. \$512,853.

Q. Did you also participate in the preparation of the AFE that's now...that's attached as an exhibit to the application?

A. Yes, I was.

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

A. Yes, it does.

Q. In your opinion, would the granting of this application promote conservation, prevent waste and protect correlative rights?

A. Yes.

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

BENNY WAMPLER: Questions from members of the Board?

SHARON PIGEON: Can we have the depth again? I have a different number here.

IAN LANDON: 5,650 feet.

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 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. Next is a
petition from Pine Mountain Oil and Gas for a well location
exception for proposed well V-530014. This is docket number
VGOB-07-1113-2088. We'd ask the parties that wish to
address the Board in this matter to come forward at this
time.

TIM SCOTT: Tim Scott and Jerry Grantham and Phil
Horn for Pine Mountain.

(Off record discussion.)

BENNY WAMPLER: You may proceed. Let the record
show there are no others.

TIM SCOTT: Okay.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn. I'm employed by Range Resources-Pine Mountain, Inc. I'm district landman.

Q. Are you familiar with this application?

A. Yes, I am.

Q. Are you also familiar with the ownership of the oil and gas with the acreage encompassed by this unit?

A. Yes, I am.

Q. Who owns the oil and gas?

A. Pine Mountain Oil and Gas owns the oil and gas.

Q. And who operates wells P-5357 and EPC-202 and P-462?

A. Equitable Production Company.

Q. Does Pine Mountain also participate in the operation of those wells?

A. Yes, we do.

Q. How was notice of this hearing provided to the parties listed on Exhibit B?

A. By certified mail.

Q. And have proofs of mailing been provided to the Board?

A. Yes, they have.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

TIM SCOTT: Okay.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Okay. Mr. Grantham, would you please state your name and by whom you're employed?

A. Jerry Grantham. I'm employed by Range Resources-Pine Mountain, Inc.

Q. And did you participate in the preparation of this application?

A. I did.

Q. And would you please tell the Board why we're seeking a well location exception for V-530014?

A. We're seeking an exception to drill well

530014 to prevent the loss of stranded reserves.

Q. What is the proposed depth of this well?

A. Proposed depth of this well is 5500 feet.

Q. And what would be the potential loss of reserves if the application is not granted?

A. The potential loss of reserves for this well would be 450 million cubic feet of gas.

Q. Do you have an exhibit that shows the area that would be stranded that you could provide to the Board?

A. I do. Exhibit C shows the well surrounding the proposed 530014. Each circle on this exhibit represents a 1250 foot radius. Therefore, the green shaded area on this map, which is approximately 72 acres represents the area that is currently not included in any producing unit.

Q. Why then should the Board approve this application?

A. This application should be approved to prevent waste of the resource under this stranded acreage, to maximize production and to protect correlative rights.

TIM SCOTT: Thank you. That's all the questions I have for Mr. Grantham.

BENNY WAMPLER: You've been...you've drilled a few of these. What's your experience to-date?

JERRY GRANTHAM: Actually, we just spudded the

first one of these a day. So, we have not actually drilled some of these.

BENNY WAMPLER: All right. 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.

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. Next is a petition from Pine Mountain Oil and Gas, Inc. for a well location exception for proposed well V-530018. This is docket number VGOB-07-1113-2090. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Mr. Chairman, we'd ask that this

matter be continued for thirty days until the next Board hearing. They're working...trying to work out some kinks with this particular location.

BENNY WAMPLER: That will be continued. Next is a petition from Pine Mountain Oil and Gas, Inc. for a well location exception for proposed well V-530047, docket number VGOB-07-1113-2091. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Tim Scott, Phil Horn and Jerry Grantham for Pine Mountain Oil and Gas.

BENNY WAMPLER: The record will show not others. You may proceed.

TIM SCOTT: Thank you. We'd like to incorporate by reference Mr. Owens' testimony regarding his employment and his job description.

BENNY WAMPLER: That will be incorporated.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, are you familiar with this application?

A. Yes, I am.

Q. Did you participate in the preparation of this application?

A. Yes, I did.

Q. Are you also familiar with the ownership of the oil and gas for the acreage encompassed by this unit?

A. Yes, I am.

Q. Who owns the oil and gas?

A. Pine Mountain Oil and Gas.

Q. Now, with regard to the wells in which this location exception is requested, who operates P-159, 151, P-160 and P-550405?

A. Equitable Production Company.

Q. Does Pine Mountain also participate in the operation of those wells?

A. Yes, we do.

Q. As far as notice to parties listed on Exhibit B, how was that accomplished for this hearing?

A. By certified mail.

Q. And have proofs of mailing been filed with Mr. Wilson?

A. Yes, they have.

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

BENNY WAMPLER: Questions from members of the

Board?

(No audible response.)

BENNY WAMPLER: Call your next witness.

TIM SCOTT: Okay. And with regard to Mr. Grantham's testimony, I would ask that his testimony regarding employment and his job description also be incorporated by reference.

BENNY WAMPLER: That will be incorporated.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Are you familiar with this application, Mr. Grantham?

A. Yes, I am.

Q. And did you also participate in the preparation of this application?

A. Yes, I did.

Q. Would you please explain to the Board why Pine Mountain is seeking a well location exception for V-530047?

A. We're seeking an exception for well 530047 to prevent the loss of stranded reserves.

Q. And by using...I think you provided Exhibit

C to the Board. Would you explain to the Board exactly what that depicts?

A. Yes. Exhibit C, again, shows the four existing producing wells that are surrounding our proposed location for 530047. The green area that's shaded in the middle represents approximately 76 acres that is currently not in any producing unit and, therefore, not receiving any benefit from the production from the other wells.

Q. What is the proposed depth of this well, Mr. Grantham?

A. This depth is...this well is proposed to a depth of 6160 feet.

Q. And what would be the potential loss of reserves if this application was not granted?

A. It would be 300 million cubic feet of gas.

Q. And would you please tell the Board why this application should be approved?

A. We believe this application should be approved to prevent waste, to protect the correlative rights of the owners under the stranded area and to maximize production.

TIM SCOTT: Thank you, Mr. Grantham. That's all I have for this witness.

BENNY WAMPLER: Questions from members of the

Board?

(No audible response.)

BENNY WAMPLER: Is there a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BENNY WAMPLER: Anything further to discuss?

(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.

TIM SCOTT: Thank you.

(Sharon Pigeon and Benny Wampler confer.)

BENNY WAMPLER: We're discussing the TD on that
well, 6160, I believe, is what you gave. The application
referred to 6310.

SHARON PIGEON: It's 2.7 in---

BENNY WAMPLER: In the application 2.7.

JERRY GRANTHAM: I think I was in correct in that.
The TD on that well should 6310.

BENNY WAMPLER: 6310, okay.

SHARON PIGEON: Okay.

JERRY GRANTHAM: My mistake.

BENNY WAMPLER: Okay.

SHARON PIGEON: That's what he testified to.

BENNY WAMPLER: He testified to 6160, but he just clarified that it's 6310. The application is correct.

MARY QUILLEN: Oh, okay.

BENNY WAMPLER: Next is a petition from Pine Mountain Oil and Gas, Inc. for a well location exception for proposed well V-530048, docket number VGOB-07-1113-2092. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Tim Scott, Phil Horn and Jerry Grantham for Pine Mountain Oil and Gas.

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

TIM SCOTT: Thank you. With regard to Mr. Horn's testimony, we'd ask that his employment and job description be incorporated by reference.

BENNY WAMPLER: That will be incorporated.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. And, Mr. Horn, are you familiar with this

application?

A. Yes, I am.

Q. Did you also participate in the preparation of this application?

A. Yes, I did.

Q. Are you familiar with the ownership of the oil and gas underlying this unit?

A. Yes, I am.

Q. And who is...who are the owners of the oil and gas?

A. Pine Mountain Oil and Gas, Inc. owns 42.58%...excuse me. Pine Mountain Oil and Gas, Inc. and Standard Banner own all oil and gas inside of this unit.

Q. Okay. And there's only one well that we have here, right? Is this correct?

A. That's correct.

Q. And who operates P-62?

A. Equitable Production Company.

Q. Does Pine Mountain also participate in the operation of this well?

A. Yes, we do.

Q. How was notice of this hearing provided to the parties listed on Exhibit B?

A. By certified mail.

Q. And have we provided proofs of mailing with Mr. Wilson?

A. Yes...yes, we have.

Q. Okay.

BENNY WAMPLER: Let me clarify just one thing.

TIM SCOTT: Yes, sir.

BENNY WAMPLER: P-62 is 750062?

TIM SCOTT: Yes, sir.

BENNY WAMPLER: Okay.

TIM SCOTT: It's hard to train an old dog.

BENNY WAMPLER: That's okay. I was just trying to get it in the record.

TIM SCOTT: I apologize.

PHIL HORN: Equitable changes the numbers every so often.

JIM KAISER: Jim probably did that.

BENNY WAMPLER: Any questions of this witness?

(No audible response.)

BENNY WAMPLER: Call your next witness.

TIM SCOTT: Mr. Grantham...I would ask that Mr. Grantham's regarding his employment and job description also be incorporated by reference.

BENNY WAMPLER: That will be incorporated.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. And, Mr. Grantham, did you participate in the preparation of this application?

A. Yes, I did.

Q. And would you please explain to the Board why we're seeking a well location exception for V-530048?

A. We're seeking an exception for this well because the location that we have picked is on existing strip bench. To get a legal location for 530048...and I might add that Exhibit C is incorrect. It says 540048. That should be a 3. But to get a legal location, we would have to move the well to northeast approximately 200 feet. That moves this location onto the side of a very steep cliff below an existing disturbed area. So, we chose to drill this on an existing strip bench, which is already disturbed.

Q. What is the proposed depth of this well?

A. This well is proposed...has a proposed depth of 6160 feet.

Q. Okay, thank you. And what is the potential loss of reserves if this application is not granted?

A. 450 million cubic feet.

Q. Why then should the Board approve this

application, Mr. Grantham?

A. This should be approved because to move the location to a legal location would require it to be in an extremely steep area where it would...to have extensive dirt work and probably it would be environmentally not an area that we would want to work in. That we would rather be on the existing stripped white area.

Q. Would you the granting of the application promote conservation, prevent waste and protect correlative rights of as well?

A. Yes, sir, absolutely.

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

BENNY WAMPLER: What...what are the 137 and 156?

TIM SCOTT: Those are old wells that were drilled by Clinchfield Coal Company back in the '50s and were plugged. So, those both have a dry hole symbol, which is the symbol with four crossed marks and not the 8 that are on the gas well summary. Do you notice the difference?

BILL HARRIS: So, 62 then...okay, that's the difference then. This is like a plus sign with the circle in the middle.

JERRY GRANTHAM: Exactly. And the gas well will have four ticks on the corners.

BENNY WAMPLER: Yeah, yeah. Like the 0062?

JERRY GRANTHAM: Yes.

BILL HARRIS: Okay. I'm sorry.

BENNY WAMPLER: On the original plat, where...the VC-3567 what's that? Exhibit A, I'm sorry, I'm referring to in your application.

JERRY GRANTHAM: Is that a coal...that's a coalbed methane well.

TIM SCOTT: Coalbed methane well.

BILL HARRIS: Let me return to the 13...this is just for personal information, 137 and 156. When you say they were drilled, are these just vertical ventilation holes? Is that to vent the mine or---?

JERRY GRANTHAM: These were vertical wells that were drilled by Clinchfield Coal Company, which was our predecessor back in the 1950s and some of the...actually some of the first wells that were drilled in this portion of Virginia---.

BILL HARRIS: To produce---.

JERRY GRANTHAM: ---to look and explore for gas in primarily conventional horizons, the Berea and the Shell. These two particular wells were plugged or have been plugged and at least at that point they felt like there was not a significant volume of gas in those wells to make it

economical.

BILL HARRIS: So, they never produced, is what you're...as far as you know?

JERRY GRANTHAM: I don't know the answer to that whether these wells were actually plugged at a later date or if they were plugged right off the rig, which means they drill down and didn't see what they liked and just plugged it when the rig was there. I do not know the answer to that.

BENNY WAMPLER: Other 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.

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.

TIM SCOTT: Thank you.

BENNY WAMPLER: The next item on the agenda is a petition from Pine Mountain Oil and Gas, Inc. for an additional well location exception for proposed well V-530015. This is docket number VGOB-07-0918-2037-01. We'd ask the parties that wish to address the Board in this matter to come forward at this time.

TIM SCOTT: Tim Scott, Phil Horn and Jerry Grantham for Pine Mountain Oil and Gas.

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

TIM SCOTT: Thank you, Mr. Chairman.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, we have been before the Board back in September with regard to well number V-530015, is that correct?

A. That's correct.

Q. And at that time, we had indicated that we were requesting a well location exception from three wells, is that correct?

A. That's correct.

Q. And then after that was...application was approved, we realized that we had another well, V-530010, which would also be a well from which a location exception should be requested, is that correct?

A. That's correct.

Q. Did you participate in the supplemental application?

A. Yes, I did.

Q. And are you familiar with the ownership of this unit?

A. Yes, I am.

Q. And the oil and gas is owned by whom?

A. Pine Mountain Oil and Gas, Inc.

Q. And who operates well V-530010...V-5300---?

A. It has been drilled yet, but when it will be drilled it will be drilled and completed by Pine Mountain Oil and Gas and then turned over to Equitable Production Company to produce...to operate.

Q. But you all will participate in that, is that right?

A. Yes.

Q. Okay. How was notice of this hearing provided to the parties listed on Exhibit B?

A. By certified mail.

Q. And has that appl...that proof of mailing been provided to Mr. Wilson?

A. Yes, it has.

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

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

BENNY WAMPLER: Did we incorporate his information?

COURT REPORTER: No.

BENNY WAMPLER: Do you want to do that?

TIM SCOTT: Yeah, I'm sorry. I'd ask that Mr. Horn's testimony regarding his employment and his job description be incorporated by reference.

BENNY WAMPLER: That will be incorporated.

TIM SCOTT: Thank you.

BENNY WAMPLER: Call your next witness.

TIM SCOTT: Mr. Grantham, with...with regard to Mr. Grantham's testimony, I would ask that his employment and job description also be incorporated by reference.

BENNY WAMPLER: That will be incorporated.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, are you familiar with this supplemental application?

A. Yes, I am.

Q. And you did participate in the preparation of this application, is that right?

A. Yes, I did.

Q. We had...you previously testified that the...that you were seeking a well location exception for V-530015 from the three wells that were listed on the first Exhibit A that we provided back in September, is that right? That is correct, isn't it?

A. Yes, that is correct.

Q. And do you have any Exhibit C indicating the location of V-530010?

A. Yes, I do. Exhibit C, again, shows the proposed location 530015. We put a 1250 foot radius around that. The three wells that we received the spacing exception to 750056, 750113 and 750067 are shown on here. The well that we are requesting a location exception from, 530010, is marked with a blue circle around it. The overlapping area between the red and blue circles indicates the area that overlaps between the two units.

Q. What would be the potential loss of reserves if this application is not granted?

A. 400 million cubic feet.

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

A. 6634 feet.

Q. And based on this new application... supplemental application, why should the Board then approve our request for a well location exception?

A. This location exception should be approved to prevent waste, maximize production and to protect correlative rights.

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

BENNY WAMPLER: Questions from members of the Board?

BILL HARRIS: Mr. Chairman.

BENNY WAMPLER: Mr. Harris.

BILL HARRIS: In the original plat that we had in the application, there were...I thought were three wells there for P-56, which is the upper northwest, I guess...I'm sorry, northeast, P-65 and a P-113. But the P-67 is not mentioned in the original---

JERRY GRANTHAM: On the original plat?

BILL HARRIS: On the original plat.

BENNY WAMPLER: Exhibit A in your application.

BILL HARRIS: Exhibit A in the application.

(Phil Horn, Tim Scott and Jerry Grantham confer.)

JERRY GRANTHAM: The 65---?

BENNY WAMPLER: No, the 67 is what...I guess I'm asking...I see...the 65 has this been moved maybe since---?

JERRY GRANTHAM: No, this...was the location moved? BILL HARRIS: Yes.

JERRY GRANTHAM: The location has not moved since this point.

BILL HARRIS: The original plat shows 2242 to P-65. If that were the case, I think there would be some overlap.

JERRY GRANTHAM: Well, there maybe. 750065 may be...possibly should not be on this exhibit. It may be a CBM well, but I don't know the answer to that sitting here without some files.

BILL HARRIS: Yeah. But I guess what I'm saying really is about 67 down at---.

JERRY GRANTHAM: Yeah, 67.

BILL HARRIS: Yeah, 67 was---.

BENNY WAMPLER: It's not on your Exhibit A.

BILL HARRIS: It's not on the Exhibit A...the

original application Exhibit A and in terms of encroachment that seems to be the major---

JERRY GRANTHAM: Well, what I would propose... unfortunately, sitting here today I can't look at this map and say that's a coalbed methane well or a conventional well. It got on here, so...and it was...and we're showing it on this map. But if it's a CBM well, obviously, there would be no issue. What I guess I would propose is we're requesting just a location exception from 530010. If that is, in fact, a conventional well, then we probably will have to come back again without having that information in front of me.

SHARON PIGEON: Mr. Grantham, what did you state the resources that would be loss without this---

JERRY GRANTHAM: It would be approximately 400 million.

SHARON PIGEON: 400, thank you.

BOB WILSON: Mr. Chairman, to amplify what Mr.---

BENNY WAMPLER: Harris.

BOB WILSON: Excuse me. Yes, I'm distracting myself here. To amplify what Mr. Harris had said previously, the original application was for an exception from wells that were called P-113, which is the 75013 as represented here, the P-56, which is the 750056 represented

here, and P-65, which is 750065. The 750067 well was not considered earlier at all. The 65 well which here is shown it would be more than the requisite distance from the 15...actually, it was showing as overlapping. It was shown to be within 2242 feet of the 15 well.

BILL HARRIS: Those circles should have overlapped if that's...that's why I asked if it was moved,

BENNY WAMPLER: I think we need to continue this. It would be the smartest thing to do---

PHIL HORN: I think---

BENNY WAMPLER: ---because I don't believe we have enough information to make a decision here today. I just have outstanding questions on it. Also, I'll just go ahead and toss you out another one, there's...you know, you're also showing on this map, although they're as light as they can be, these other circles and we're moving, you know, it's going to be important to be able to see the total picture if, in fact, you do have other wells out there. I don't know if they are, but they are in faint. There's other...other circles in it. You know, I'd personally like to see a little bigger picture of what we're working in here so that we're not moving...we're not approving something trapped here when it could be moved here, for example, or something.

JERRY GRANTHAM: So, you would like to see wells---.

BENNY WAMPLER: I'd like to be able to ask a better question.

JERRY GRANTHAM: ---a little...a little bigger area with the wells on it---.

BENNY WAMPLER: Right.

JERRY GRANTHAM: ---and not just the wells that are immediately affected.

BENNY WAMPLER: Right.

JERRY GRANTHAM: Okay.

BENNY WAMPLER: Yeah. Particularly where...I mean, this would be fine if that was...but it's also showing some faint drawings of others there. I think it would be good in that kind of case if you're in a field where there's a lot of other wells to see a little bit bigger picture.

JERRY GRANTHAM: Certainly.

BENNY WAMPLER: So, we'll go ahead and continue this until next time. Is next time enough time?

JERRY GRANTHAM: Yes.

BENNY WAMPLER: Okay. All right. Happy Thanksgiving to you guys to. Take care.

PHIL HORN: Okay, thank you. Thank you very much.

BILL HARRIS: Yes.

TIM SCOTT: Thank you.

JERRY GRANTHAM: Thank you.

BENNY WAMPLER: The next item on our agenda, Board, is the approval of the minutes or correction. I will open it up for discussion from the last meeting. If there are not suggested corrections, I'll entertain a motion to approve.

MARY QUILLEN: Motion to approve.

BENNY WAMPLER: Is there a second?

BILL HARRIS: Second.

BENNY WAMPLER: Second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BENNY WAMPLER: Now, we're at our public comment period. Does anyone wish to make a comment? Good afternoon.

JOHN SHEFFIELD: Good afternoon, Mr. Wampler and Ms. Pigeon and Board members.

BENNY WAMPLER: State your name for the record.

JOHN SHEFFIELD: John Sheffield, land owner in Buchanan County. I'm kind of at a dilemma. I don't really need a decision. I think it's important for land owners to

report to the Board sometimes just things that happened down the road.

I'm in a situation with one of the gas companies. I don't know if it's right or wrong. But it seems to me that there might be an inconsistency down the road, not...not by this Board, but I just want the Board to see what the landowner gets to see. I have some tracts of land that are...there was a deeded acreage and then there's an acreage that has been stated as a deeded acreage and then what the actual acreage is, such is in a gob unit. The gob unit acreage...a 100% tract within the gob unit is different than the deeded acreage. It's less. I am here to tell you today, I don't know if it's right or wrong. That's no big deal there. But when I went to the County, of course, they have the deeded acreage and I explained to them that, you know, for tax purposes that, okay, once again, I have not had the survey...the land surveyed, but there was a question brought up, I guess, when this petition was...excuse me, when this petition for the gob unit was brought in and I had a 277 acre tract that was 270. That may be correct. I have a 120.9 acre tract that's now 103. Once, again, that may be correct. I'm not saying it's not correct. It might be correct within what they're saying. The only problem is the county is saying it's...we have deeded acreage and to change

that deeded acreage there must be an on the ground survey by a certified surveyor and there must be a deed of correction. Once, again, I'm not saying whether it's right or wrong either way. I know land records have been different a lot. But from the aspect of that, it just seems that there's some inconsistency. No comments. I just wanted to bring it up. That's all I have to say. I thank you for your time.

BENNY WAMPLER: Thank you.

JOHN SHEFFIELD: Thank you.

BENNY WAMPLER: Fair enough. A very good point.

Mr. Wilson.

BOB WILSON: Yes, sir. I have one reminder. Our Richmond office has asked me to remind Board members that you will be receiving sometime between around mid November, a notification that we have to do our financial disclosure forms again this year. I would hope that they could all be back in to our office in Richmond or completed by January the 7th. Just kind of a heads up that you'll be seeing this very soon. We all get hit with this this time of year.

BENNY WAMPLER: Please do it, so that Ettie won't have to call and harass you about it.

BOB WILSON: Yeah. Please do it so Ettie won't have to call me and harass me about it.

BENNY WAMPLER: That's true. Do you have

anything...you don't know about the agenda next month?

BOB WILSON: No, I don't. The deadline---

BENNY WAMPLER: Yeah. Because they're still---

BOB WILSON: ---is not until next week, of course,
so nobody has filed anything yet.

BENNY WAMPLER: Next week, right? But the Board
meeting next month is back on regular schedule. It will be,
what, the 18th, I believe?

COURT REPORTER: 18th.

BOB WILSON: 18th, I think is...yes, it is the
18th.

BENNY WAMPLER: Yeah.

(Off record.)

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 11th day of December, 2007.

NOTARY PUBLIC

My commission expires: August 31, 2009.