

VIRGINIA:

IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD

FEBRUARY 19, 2008

APPEARANCES:

**BOARD MEMBERS:**

MARY QUILLEN - PUBLIC MEMBER

KATIE DYE - PUBLIC MEMBER

BILL HARRIS - PUBLIC MEMBER AND CHAIRMAN

BRUCE PRATHER - GAS & OIL INDUSTRY REPRESENTATIVE

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

**COUNSEL:**

SHARON PIGEON - ASSISTANT ATTORNEY GENERAL

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

INDEX

<u>AGENDA AND DOCKET NUMBERS:</u>	<u>UNIT</u>	<u>PAGE</u>
1) VGOB-07-0515-1934-01	VC-537113	CONT.
2) VGOB-08-0115-2121	AY-134	5
3) VGOB-08-0219-2128	L-37	14
4) VGOB-08-0219-2129	T2(CV)	CONT.-18
5) VGOB-08-0219-2130	AZ-140	22
6) VGOB-08-0219-2131	BF-140	28
7) VGOB-08-0219-2132	XXX-22	32
8) VGOB-08-0219-2133	YYY24(CV)	35
9) VGOB-00-1017-0835-02	MODIFY FIELD RULES	CONT.
10) VGOB-08-0219-2144	826642	67
11) VGOB-08-0219-2145	823793	79
12) VGOB-08-0219-2146	AE-152(J-34)	84
13) VGOB-08-0219-2147	AE-153(J-35)	96
14) VGOB-08-0219-2148	AE-154(I-36)	102
15) VGOB-08-0219-2149	VC-505189	107
16) VGOB-08-0219-2150	VC-536865	112
17) VGOB-08-0219-2151	VC-537924	121
18) VGOB-08-0219-2152	ESTABLISH 320-ACRE	128
19) VGOB-08-0219-2153	CONVENTIONAL GAS UNIT	
20) VGOB-89-0126-0009-20	BU57	148
21) VGOB-89-0126-0009-21	BT41	CONT.
22) VGOB-08-0219-2154		CONT.
23) VGOB-08-0219-2155	V-530081	158

INDEX (CONT.)

<u>AGENDA AND DOCKET NUMBERS:</u>	<u>UNIT</u>	<u>PAGE</u>
24) VGOB-08-0219-2156	V-530082	164
25) VGOB-08-0219-2157	HAYSI-141- CBM UNIT 71-AH	168
26) VGOB-08-0219-2158	HAYSI-142- CBM UNIT 72-AH	176
27) VGOB-89-0126-0009 AND 93-0216-0325		42
*Public Comments		187
**Approve minutes		188

BILL HARRIS: Good morning, everyone. I guess we need to go ahead and get started. I'm Bill Harris. I'll be the Chair for today's meeting. I'm a...I guess, a long time member of the Gas and Oil Board and I'm on the faculty at Mountain Empire Community College and I'm a public member from Big Stone Gap. I'd like the rest of the Board members to introduce themselves starting with Ms. Quillen.

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

BRUCE PRATHER: I'm Bruce Prather. I represent the Oil and Gas Industry on the Board.

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

BILL HARRIS: Thank you. Our first item today is a petition from Equitable Resources...I'm sorry, Equitable Production Company for repooling of coalbed methane unit VC-537113, Ervington District, Dickenson County, Virginia. The docket number is VGOB-07-0515-1934-01. This item was

continued from December. Would all those parties who wish to speak to this item please come forward?

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser on behalf of Equitable Production Company. We'd ask the Board's indulgence in continuing this again. We'd like another sixty days until April. We have a hundred and eighty-seven respondents in this unit. We're still trying to get some things worked out with them. So, if we could possibly continue this one until the April docket it would be appreciated.

BILL HARRIS: Okay. We'll continue it then. Sixty days you said?

(No audible response.)

BILL HARRIS: Okay, fine. We'll continue it. The next item, we have a petition from CNX Gas Company, LLC for the pooling of coalbed methane unit AY-134, Maiden Springs District, Tazewell County, Virginia, docket number VGOB-08-0115-2121. This item was continued from January. We'd ask all of those parties to come forward.

MARK SWARTZ: Good morning.

BILL HARRIS: Good morning.

MARK SWARTZ: Mark Swartz and Les Arrington.

BILL HARRIS: Any others? Let the record show there are no others. Okay, you may proceed at any time.

(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, would you state your name for us, please?

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. And what do you do for them?

A. Manager of environmental and permitting.

Q. And were you the person that signed the notices of hearing and the applications that's on the docket today?

A. Yes.

Q. And did you either personally prepare the exhibits and those items or caused them to be...or caused their preparation to be supervised?

A. Yes, I did.

Q. What did you do to notify people that this... that we would have a hearing?

A. We mailed by certified mail, return receipt on January the 22nd, '08. We published in the Bluefield Daily Telegraph on December 29, 2007.

Q. Okay. Do you want to add any respondents?

A. No.

Q. Did you want to dismiss any?

A. No.

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

A. The notice of hearing and location exhibit.

Q. Okay. And have you filed your certificates with regard to mailing and your proof of publication that you received from the newspaper with the DGO?

A. Yes, we have.

Q. Okay. Who is the applicant?

A. CNX Gas Company.

Q. And is CNX Gas Company a Virginia Limited Liability Company?

A. Yes, it is.

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

A. Yes.

Q. And who is it that the application seeks to have appointed designated operator if the application is

approved?

A. CNX Gas.

Q. And with regard to that issue, has CNX Gas registered with the Department of Mines, Minerals and Energy?

A. Yes, it has.

Q. And has it filed a bond as required?

A. Yes.

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

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

Q. And how many wells are proposed?

A. Two.

Q. Are they frac wells?

A. Yes.

Q. Is this in the one area in the Middle Ridge Field that has been approved by the Board for infill drilling?

A. I believe it has.

Q. Okay.

A. I believe. I don't have that---.

Q. But there is an area that has previously been approved---?

A. Yes.

Q. ---and it's your recollection that this is in that area?

A. Yes.

Q. Okay. With regard to the drilling window, where are the two wells that are proposed located?

A. Both are within the drilling window.

Q. Okay. I think you said this is a 58.74 acre unit?

A. Yes.

Q. Okay. Have you provided the Board with a cost estimate collectively and also for each of the wells?

A. Yes, for each of the wells. For AY-134, it's \$236,199.38 and AY-134A \$241,570.20. The permit number for AY-134 is 8844 and AY-134A is 8845.

Q. And the respective depths?

A. Is 2,555 feet for AY-134 and 134A is 2,516.

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

A. We've acquired 100% of the coal owner's claim to coalbed methane and 59.1931% of the oil and gas owner's claim and seeking to pool 40.0...40.8069%.

Q. Is there an escrow requirement?

A. Yes, there is.

Q. In what tracts?

A. 1C, 1D, 1F, 1G, 1H, 1I, 1J, 1K, 1L, 1M and  
1N.

Q. Okay. And I think in Tract 1I there's  
a...in addition to the conflicts requirement there's an  
unknown?

A. Yes, there is.

Q. Okay. So, there's an Exhibit E which  
addresses the conflicts in the tracts in you've named and  
then there's also an unknown address or unlocateable in  
Tract 1I, which is another reason why that tract has to be  
escrowed?

A. Yes.

Q. Are there any split agreements?

A. Yes, for Tract 1A, 1B and 1E.

Q. And these are not 50/50 agreements?

A. I'm not sure. No. Some of them...well,  
actually, all three tracts is a seven-eighths and one-  
eighth.

Q. Okay. And you've reported that in the  
exhibit?

A. In...yes, it is.

Q. Okay. And with regard to the split

agreements, is it your request that in the event that the Board approves this application that the people identified in Exhibit EE that you be allowed to pay them directly rather than escrowing their funds and be able to pay them in accordance with their split agreements?

A. Yes, we are asking.

Q. With regard to the roughly 60% of the unit that you've been able to lease, what are the terms, generally, of the coalbed methane leases that you've been able to obtain?

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

Q. Is it your opinion that if you couple the leasing efforts that...and acquisition efforts that CNX has been successful with with a pooling order pooling the respondents named in the amended notice of hearing that the correlative rights of all owners and claimants to the coalbed methane in this unit would be protected?

A. Yes, they will.

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

A. Yes, it is.

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

BILL HARRIS: Questions from members of the Board?

KATIE DYE: Mr. Chairman.

BILL HARRIS: Yes.

KATIE DYE: The one thing that I noticed---

BILL HARRIS: Ms. Dye.

KATIE DYE: ---with this application was I don't have an AFE in it.

MARK SWARTZ: Actually, it's probably because the original one that was filed for last month has the AFEs of...I don't know if that got into your package or---

KATIE DYE: No. As long as you have one. I just didn't have one in my application.

LESLIE K. ARRINGTON: Yeah.

MARK SWARTZ: There was...you're right. There was not one in the amended set.

MARY QUILLEN: It was in the old one...the one we carried forward.

KATIE DYE: Thank you.

LESLIE K. ARRINGTON: It was in the original one.

BILL HARRIS: Yeah. Other questions?

(No audible response.)

BILL HARRIS: I do have one question about the

well... the plat. If you'll...now, this is in the original...and it's the actual plat rather than the Virginia map. At the top of the unit it says "80 acre unit".

LESLIE K. ARRINGTON: Yeah. We fixed it on the amended application.

BILL HARRIS: Oh, okay. So, I didn't....

MARK SWARTZ: The amended one shows the 58.74---.

BILL HARRIS: Oh, okay.

MARK SWARTZ: ---which would be the right number.

BILL HARRIS: That's the correct one, okay, fine.

That was my question. And we do have the AFE in the previous one?

LESLIE K. ARRINGTON: Yes.

BILL HARRIS: I do have that, okay.

MARK SWARTZ: Actually, there are two of those, Mr. Chairman.

BILL HARRIS: Yes, one for each of the wells. Any other questions? Again, do you need to see the AFE? I have---.

KATIE DYE: No, thank you.

BILL HARRIS: Oh, okay. Thank you. Any further questions?

SHARON PIGEON: Bob, was this a unit previously approved for infill drilling? They seem not sure on the

testimony.

BOB WILSON: Well, I'd have to cop the same plea that Mr. Arrington did. I believe it has, but I cannot tell you for sure that it has without looking back in the file. Be assured that I will not issue other than one permit if it hasn't been.

SHARON PIGEON: Okay. Thank you. I feel---

MARK SWARTZ: Well, except you've already issued two. So, I think that's another indication.

BOB WILSON: Well, I hope it's...let's hope it's approved. I think that's a pretty good indication.

MARK SWARTZ: Yeah, I think that probably is.

BILL HARRIS: Okay.

MARK SWARTZ: It's circumstantial evidence that he checked.

(Laughs.)

BILL HARRIS: So, we'll have a conditional motion.

(Laughs.)

BILL HARRIS: No. Do you have anything further?

MARK SWARTZ: No, I do not.

BILL HARRIS: Okay. Do we have a motion from the Board?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: Opposed, like sign.

KATIE DYE: Abstain.

BILL HARRIS: Fine, thank you. One abstention, Mrs. Dye. Okay, thank you. The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit L-73 Rocklick District, Buchanan County, Virginia, docket numbers VGOB-08-0219-2128. We'd ask all parties who wish to speak to this item to please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

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

BILL HARRIS: That will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. Who is the applicant on this application?

A. CNX Gas Company.

Q. And who is it that CNX is requesting be the designated operator in the event the application is approved?

A. CNX Gas.

Q. Okay. What kind of unit is this?

A. This is a Nora unit. It has 58.65 acres.

Q. And the plat shows the location of the well in relation to the window and is it in the window or out of it?

A. It's in the window.

Q. Okay. One well?

A. Yes.

Q. And is it a frac well?

A. Yes, it is.

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

A. Yes, we have. It's \$275,194.51 to a depth of 2,446 feet. The permit number is 9077.

Q. Okay. And what did you do to notify the respondents and others that there would be a hearing today?

A. We mailed on January 18, 2008 by certified mail. We published in the Bluefield Daily Telegraph on January the 28th, 2008.

Q. And when you published what appeared in the newspapers?

A. The notice of hearing and location exhibit.

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

A. Yes, we have.

Q. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any?

A. No.

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

A. We have...we leased 100% of the coal owners claim to coalbed methane and lease 60.9207% of the oil and gas owner's claim. We're seeking to pool 39.0793% of the oil and gas owner's claim.

Q. Is there an escrow requirement?

A. Yes. Tract 3A and 3B.

Q. And with regard to them, I think that  
it's---?

A. There's an unknown in 3A.

Q. ---a conflict and we've also got an unknown  
about two-thirds of the way---?

A. Yes.

Q. ---the list in 3A?

A. Yes.

Q. Okay. There are no split agreements?

A. No.

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

A. Yes, it is.

Q. Is it your further opinion that if you  
combine the successful leasing and acquisition efforts of  
the applicant with a pooling order pooling the respondents  
identified that the interests...the correlative rights of  
all owners and claimants and other interests in this unit  
would be protected?

A. Yes, they will be.

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

BILL HARRIS: Thank you. Questions from Board  
members?

(No audible response.)

BILL HARRIS: Anything further?

MARK SWARTZ: No.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

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

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

BILL HARRIS: Or yes. That's fine. Opposed, like sign.

(No audible response.)

BILL HARRIS: It's passed...approved.

KATIE DYE: Abstain.

SHARON PIGEON: Katie abstains.

BILL HARRIS: Oh, I'm sorry. I'm Mrs. Dye abstained. I didn't hear her say that but, yeah, we need to get that on the record. The next item, we have a petition from CNX Gas Company, LLC for creation and pooling of conventional gas unit T2(CV), Prater District, Buchanan County, Virginia. The docket number there is VGOB-08-0219-2129. We'd ask all parties who wish to speak to this petition to come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

JIM KAISER: Jim Kaiser on behalf of Chesapeake Appalachia, LLC. Mr. Chairman and Board members, we'd ask that this matter be continued. This...my client has a tract in this conventional unit that is the subject of a arbitration that has been stayed. Both CNX and Chesapeake are working on a settlement of that. Now, we have also filed an objection with Mr. Wilson's office to the permit for this well. In addition, my client was not contacted prior to the filing of the application or prior to this hearing by CNX and no effort was made to work something out regarding their interest in this unit, albeit, you know, it is in...as I stated, this and some other tracts are involved in a state arbitration at this point. So, we'd ask that it be continued. I think, from what I'm hearing, that a settlement is at least possible within the next thirty days. So, we wouldn't ask that it be continued any longer than that.

BILL HARRIS: Okay, Mr. Swartz.

MARK SWARTZ: Although, you know, we would always be hopeful that there would be a settlement, there's no absolutely no guarantee that, you know, we're going to reach an agreement. I mean, there are people negotiating and hopefully that would work, but, you know, Chesapeake's

interest in this unit would be protected. They're listed, you know, in Exhibit B-3. They have a 13.6392% leased interest. They will have an opportunity to participate if we're unable to resolve, you know, the other differences. So, I don't see any difference between this and any other application. We just need to go forward and proceed with it.

(Bill Harris confers with Sharon Pigeon.)

BILL HARRIS: Yeah, that does sort of concern me about this not having---

MARK SWARTZ: Well, I can respond to that because I actually spoke to them in advance of the hearing. I mean, he called and said, "Can we have a continuance?" I think Les spoke to him and I spoke to him.

JIM KAISER: No, no, no. I'm talking about you didn't contact---

BILL HARRIS: No, notification of---

JIM KAISER: You didn't contact Chesapeake trying to say, "Well, you know, rather than being force pooled, what do you want to work out voluntarily?"

MARK SWARTZ: That's the settlement negotiations, you know.

JIM KAISER: Well, I said that.

MARK SWARTZ: Well, no...but, I mean, to me it is

disingenuous to suggest that we haven't been in contact.  
The basis, you know, for the continuous is this is one of  
the issued that are being negotiated in the settlement---

LESLIE K. ARRINGTON: Within this boundary.

MARK SWARTZ: ---within this boundary. So, you  
know, we're negotiating the whole---

JIM KAISER: Well, it's disingenuous that you  
filed the application before we got it settled if you want  
to play disingenuous.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes.

BOB WILSON: May I suggest that the Board consider  
carrying this forward for one time only? We have a history  
of these sorts of things that nothing happens on them for  
twenty-nine days---

MARK SWARTZ: Right.

BOB WILSON: ---and then the thirtieth day---

JIM KAISER: And we're perfectly fine with that.

MARK SWARTZ: Or if nothing happens, then we  
get---

BOB WILSON: ---everybody tries to get together.

MARK SWARTZ: ---some progress too, which is  
what...yeah.

BOB WILSON: Yeah, I would suggest allowing the

applicants to pick a date certain they wish to have it carried forward to and have no more carried forwards on it.

BILL HARRIS: Yeah, yeah. I think that's probably the best thing to do. So, we'll---

JIM KAISER: We're perfectly happen with that.

MARK SWARTZ: Thirty days is good and we've got the evidence in, so we'll---

BILL HARRIS: Yeah, can we...thirty days?

MARK SWARTZ: ---you know...if we don't work it out, we're good to go in thirty days.

JIM KAISER: That's fine.

BILL HARRIS: Let's do that then. Let me...one other question. Was there a notice issue that you mentioned or you're talking---

JIM KAISER: No.

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

JIM KAISER: No, no. Thank you. We'll carry that one forward in thirty days.

BILL HARRIS: The next item is number five on the agenda. It's a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AZ-140, Maiden Springs District, Tazewell County, Virginia. The docket number there is VGOB-08-0219-2130. We'd ask all the parties that

wish to speak to that petition to please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

MARK SWARTZ: Mr. Chairman, I'd like to ask that you incorporate Mr. Arrington's testimony concerning the applicant and operator, his employment at CNX and standard lease terms.

BILL HARRIS: Yes, it will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. What kind of a unit does this application pertain to?

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

Q. Okay. How many wells are proposed?

A. One.

Q. And where is it located in relation to the

window?

A. It's located within the drilling window.

Q. Have you listed the respondents in the notice of hearing and Exhibit B-3?

A. Yes, we have.

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

A. It was mailed by certified mail on January 18, 2008 and published in the Bluefield Daily Telegraph on January the 26th, 2008.

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

A. Yes, we have.

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

A. The notice of hearing and location exhibit.

Q. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. Would you tell the Board what interests you've been able to acquire in this unit and what interest you're seeking to pool?

A. We're...we've acquired 87.4872% of the coal, oil and gas owner's claim to coalbed methane and we're seeking to pool 12.5128% of the coal, oil and gas owner's claim to coalbed methane.

Q. Have you provided a cost estimate? That information with regard to the well.

A. Yes, we have. The cost estimate is \$269,809.50 to a depth of 2,484 feet. The permit number is 8762.

Q. Is escrow required?

A. For Tract 4.

Q. It's a conflict issue?

A. Yes.

Q. And I think we've also got an unknown in Tract 4, don't we?

A. Yes. Yes, unknowns.

Q. And we have no split agreements?

A. No.

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

A. Yes, it is.

Q. Is it your further opinion that the correlative rights of all owners and claimants in this unit

would be protected by the entry of a pooling order pooling the respondents listed in the notice if you combine that with the leasing and acquisition efforts of CNX?

A. Yes, it would.

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

BILL HARRIS: Questions from members of the Board?

(No audible response.)

BILL HARRIS: Let me ask one question. It's about Exhibit E. It's actually the notation that's there next to a couple of folks' names. You have a EE in parenthesis. I'm just curious as to what that means. If you look under Tract 4, for instance, Exhibit E of the page we have---

LESLIE K. ARRINGTON: Oh, okay. It's just a...the way...if you would see our actual listing of all of the Heirs, it gets down to there was that many folks listed.

BILL HARRIS: Oh, okay. So, this is...now, there is down below it EE .2.

LESLIE K. ARRINGTON: Right.

BILL HARRIS: So, that's listed. So, you're saying there's an ABC listing?

LESLIE K. ARRINGTON: Yes.

BILL HARRIS: Okay.

MARK SWARTZ: If you would just sort of backup in your application to like page five of seven of B-3---

BILL HARRIS: Yes.

MARK SWARTZ: ---you'll see that, you know, they get through O and on the next page through W and then they start at AA. So, there are actually that many folks---

BILL HARRIS: Yes, okay.

MARK SWARTZ: ---that's...it's sort of like accounting.

BILL HARRIS: Yes, okay. I just, I guess, lost track of it.

MARK SWARTZ: It's easier to see it.

BILL HARRIS: Yes, when you see the whole list. Okay, fine. Thank you.

MARY QUILLEN: And the---

BILL HARRIS: Yes, Ms. Quillen.

MARY QUILLEN: Mr. Chairman, the 1 and the 2 designates that that's the two Heirs that is under that particular---

LESLIE K. ARRINGTON: Yes. Yes, it does.

BILL HARRIS: Any other questions?

(No audible response.)

BILL HARRIS: Anything further?

MARK SWARTZ: No.

BILL HARRIS: Okay. We'll entertain a motion for this item.

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: It has been moved and seconded. All in...any further questions?

(No audible response.)

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: Opposed, like sign.

KATIE DYE: I abstain.

BILL HARRIS: Ms. Dye abstains. Thank you. The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-108, New Garden District, Russell County, Virginia. The docket number there is VGOB-08-0219-2131. We'd ask all the parties who wish to speak to this project, please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

MARK SWARTZ: Mr. Chairman, I'd like to incorporate Mr. Arrington's testimony regarding the applicant and operator, his employment with CNX and the standard lease terms that are offered for coalbed methane.

BILL HARRIS: Yes. That will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. And you do work for CNX?

A. Yes.

Q. What kind of unit is this?

A. It's Middle Ridge. It has 58.74 acres in  
it.

Q. Okay. How many wells are proposed?

A. One.

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

A. Within the drilling window.

Q. And is it a frac well?

A. Yes, it is.

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

A. Yes. It's \$277,278.19. The depth is 2833.

Q. As of yet, it looks like you don't have a  
permit.

A. No.

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

A. We've acquired 99.9183% of the coal owner's claim to coalbed methane and 98.7606% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 0.0817% of the coal owner's claim to the coalbed methane and 1.2394% of the oil and gas owner's claim to coalbed methane.

Q. Have you listed all of the folks that are respondents...or that need to be respondents in the notice of hearing and Exhibit B-3?

A. Yes, we have.

Q. What did you do to advise them that we would be having a hearing today?

A. We mailed by certified mail on January 18, 2008. We published in the Bluefield Daily Telegraph on January the 25th, 2008.

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

A. The notice of hearing and the location exhibit.

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

A. Yes, we have.

Q. Do you want to add any respondents?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. We have an unknown in Tract 8, I think.

A. Yes.

Q. And we have an Exhibit E which indicates that there are conflicts in what tracts?

A. 8, 9A, 9B, 9C, 9D and 9E.

Q. And they would also then for that reason require an escrow now?

A. Yes.

Q. There are no split agreements?

A. No.

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

A. Yes, it is.

Q. Is it your further opinion that if you combine a pooling order as requested with the leasing and acquisition efforts that CNX has been successful in obtaining, that all...the correlatives rights of all of the owners and claimants in this unit would be protected?

A. Yes, they will.

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

BILL HARRIS: Questions from Board members?

(No audible response.)

BILL HARRIS: Do you have anything further?

MARK SWARTZ: No, I do not.

BILL HARRIS: All right. We'll entertain a motion.

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further questions?

(No audible response.)

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: All right. Thank you.

KATIE DYE: Abstain.

BILL HARRIS: One abstention, Mrs. Dye. That's approved. The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit XXX-22, North Grundy and Garden Districts, Buchanan County, Virginia. The docket number is VGOB-08-0219-2132. We'd ask all of the parties

who wish to speak to this item, please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

MARK SWARTZ: If I could, I would like to ask again that the testimony that Mr. Arrington gave with regard to the first application today be incorporated with regard to the applicant and the operator, his employment with CNX and the standard lease terms for coalbed methane.

BILL HARRIS: Yes, that will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. What kind of unit do we have here.

A. It's an Oakwood 80.

Q. Okay. How many wells are proposed?

A. One.

Q. Is it in the drilling window?

A. Yes.

Q. Is it a frac well?

A. Yes, it is.

Q. What's the cost estimate and proposed depth?

A. Okay, it's...the cost is \$244,850.17 to a depth of 2,698 feet. The permit number is 9076.

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

A. We've acquired 97.9% of the coal, oil and gas owner's claim to coalbed methane and we're seeking to pool 2.1% of the coal, oil and gas owner's claim to coalbed methane.

Q. You've listed one respondent?

A. Yes.

Q. Do you want to dismiss that respondent?

A. No.

Q. Do you want to add any respondents?

A. No.

Q. What did you do to notify this respondent of the hearing today?

A. It was mailed by certified mail, return receipt on January the 18th, 2008 and published in the Bluefield Daily Telegraph on January the 25th, 2008.

Q. Have you filed your certificates of mailing to the respondent and your proof of publication with regard

to other folks with Mr. Wilson?

A. Yes, we have.

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

A. The notice of hearing and location exhibit.

Q. Is there an escrow requirement here?

A. No.

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

A. Yes, it is.

Q. And is your further opinion that if the Board were to pool the respondent named in the notice of hearing on Exhibit B-3 taking that pooling order in conjunction with your leases and acquisition efforts, the correlative rights of all owners and claimants of this unit would be protected?

A. Yes, sir.

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

BILL HARRIS: Any questions from Board members?

(No audible response.)

BILL HARRIS: I do have a question about the supplement sheet that was handed out. For item...ah, okay. No, I don't. Sorry, wrong one. Okay, that's the next one.

I just got the figures confused. Any other questions?

(No audible response.)

BILL HARRIS: Any further?

MARK SWARTZ: No.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: Opposed, like sign.

KATIE DYE: Abstain.

BILL HARRIS: One abstention, Mrs. Dye. Thank you. The next item is a petition from CNX Gas Company, LLC for creation and pooling of conventional gas unit YYY24(CV), North Grundy and Garden Districts, Buchanan County, Virginia. The docket number is VGOB-08-0219-2133. We'd ask all parties who wish to speak to this item please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

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

MARK SWARTZ: I would like to incorporate, if I could, Mr. Arrington's testimony concerning the applicant and operator and his employment with CNX.

BILL HARRIS: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. This is a different kind of a resource here, it's conventional, correct?

A. Yes, it is.

Q. What are the standard lease terms that you have been offering...your company has been offering with regard to conventional gas?

A. That's five dollars per acre per year with a five year paid up term with a one-eighth production royalty.

Q. In the event that the Board should approve this pooling unit, would you recommend to the Board that the Board import those terms into its order?

A. Yes, we would.

Q. This is a statewide circular unit?

A. Yes.

Q. What's the radius?

A. The radius is 1250 feet.

Q. And the acreage is a 112.69 acres, correct?

A. Yes, it is.

Q. The well that's proposed is located where  
in the circle?

A. In the center.

Q. Is it a frac well?

A. Yes, it is.

Q. And, of course, you're only proposing one  
well?

A. Yes, we are.

Q. What information...what cost estimate have  
you provided with regard to this well?

A. The cost of the well is \$438,891.36. The  
depth is 6,766 feet.

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

A. We've acquired 99.984799% and we're seeking  
to pool 0.015201% of the oil and gas interest.

Q. There is no escrow requirement here?

A. No.

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

A. Yes.

Q. Do you want to add any today?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. What did you do to notify these respondents and others who might be interested in this hearing that there was going to be a hearing today?

A. We mailed by certified mail January the 18th, 2008 and published in the Bluefield Daily Telegraph on January the 24th, 2008.

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

A. Yes, we have.

Q. And when the notice appeared in the newspaper, what was printed in the newspaper?

A. The notice of hearing and location exhibit.

Q. Is it your opinion that drilling this well in the center of this circular unit is a reasonable way to develop the conventional gas resource?

A. Yes, it is.

Q. And is it your further opinion that if you take...if you combine a pooling order pooling .015201% of the respondent's interest and combine that with your leasing efforts that the correlative rights of all owners and claimants will be protected?

A. Yes, it will.

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

BILL HARRIS: Questions from members of the Board?

(No audible response.)

BILL HARRIS: Do you have anything further?

MARK SWARTZ: No, I do not.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

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

BILL HARRIS: Opposed, like sign.

KATIE DYE: Abstain.

BILL HARRIS: And one abstention, Mrs. Dye. Thank you. Motion passed. We move now to a petition from CNX Gas

Company for modification of the Middle Field 1  
Rules...sorry, Middle Ridge 1 Field Rules fo units AV106 to  
AV109, AW106 to AW109, AX106 to AX109, AY106 to AY109, AZ106  
to AZ109, BA106 to BA109, BB106 to BB109, BC106 to BC109,  
BD106 to BD109, BE107 to BE109, BF107 to BF109, BG107 to  
BG109, BH107 to BH109, BI106 to BI109, BJ106 to BJ109 and  
BK106 to BK109 in the New Garden District, Russell County in  
the Harrison...I'm sorry, Hurricane District, Buchanan  
County, Virginia. The docket number is 00-1017-0835-02.  
We'd ask all parties who wish to speak to this petition to  
please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

BRUCE PRATHER: Mine only goes to BF107. I don't  
have the rest of them on my exhibit.

BILL HARRIS: Some of us may have gotten wrong...  
left off of their original copy.

BRUCE PRATHER: Okay.

BILL HARRIS: Yeah, we have...do the others have  
that listed...all of those listed?

(No audible response.)

BILL HARRIS: Okay. I think the item is...that  
was a replacement.

BRUCE PRATHER: That's all right.

BILL HARRIS: Yeah, I think we're okay. I think

we're okay.

BRUCE PRATHER: It's just that I don't have them on my sheet.

MARK SWARTZ: I think the...I think the confusion, in the Chairman's defense, if you look at the application and you look at the map, the map shows the units that you mentioned, whereas the application, the list is truncated. So, is the map accurate, Les?

LESLIE K. ARRINGTON: I'd have to have my bigger map. The map is---

ANITA DUTY: Yes.

MARK SWARTZ: Anita, tells us the map is accurate.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes.

BOB WILSON: The same thing happened when we sent out the original docket, which is the non-annotated copy that we have here. We found that and made those corrections before you got yours.

BILL HARRIS: Okay, then. So, the corrected should have the list. I think there are several folks that do have the corrected list. I think we're---

MARK SWARTZ: The list you read is correct.

BILL HARRIS: Okay, okay. I think we're okay then for the record.

SHARON PIGEON: Would you go ahead and get her sworn since that's what you're relying on there?

MARK SWARTZ: Well, actually, we probably don't need to do that because we would respectively request that we be allowed to continue this for thirty days and we'll get it...then we'll have it straightened out with testimony the next time.

BOB WILSON: He wants to here somebody real.

(Laughs.)

BILL HARRIS: If there's no objection to a continuing, I guess, we'll continue that.

MARK SWARTZ: Well, if he hadn't read that, we wouldn't have picked up on the difference. So, actually, it was...it did some good. Thank you.

BILL HARRIS: Oh, okay. Thank you.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes, Mr. Wilson.

BOB WILSON: I would like to ask the Board to skip down to item twenty-seven, which is an item on the Board's own motion so that we can take advantage of as many people being here as possible for this.

BILL HARRIS: Yes. Item twenty-seven, the last item listed is the Virginia Gas and Oil Board on its own motion will consider a proposal to define the boundary and

unit configurations at the juncture of the Oakwood and Nora Coalbed Methane Fields and to modify Field Rules on the docket numbers 89-0126-0009 and 93-0216-3...I'm sorry, 0325 as previously modified to include that boundary definition. This is continued from October of 2007. Again, we'd like to take advantage of as many folks who want to speak as possible.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes, Mr. Wilson.

BOB WILSON: What we would like to do today is kind of give you a progress report on what we have found and where we're going with this. Basically, as I reported earlier, what appeared to be a fairly simple problem defining the relationships between the boundary of the two fields escalated into significant other concerns. What we would like to do today, as I've said, is give you a little bit of a background on what we're doing here mainly for the benefit of the Board members who weren't here when these fields were put together. We're not going to belabor any of this. But we would like to also point out to you some of the problems that we have found and proffer some solutions possibly for consideration. We will end up by asking that this be carried forward until next month so that their concern...the operators who are affected by this can

comment. We're also going to need to get some specific survey information from the operators on some items. Our objective is to come up with a definition of the field boundaries that we can live with going forward. There are some discrepancies between the way the fields are defined and Board orders and the way it's actually being produced. We can...we can come up with a reasonable explanation for most of that. But, what we want to do is acknowledge where we are. It's something that Mr. Swartz mentioned, I think, when we first got started and I guess that we need to be aware of the location of units as they are because they are there and a lot of them has been there for years and years. So, we have attempted to do that as you'll see as we go along.

What I would like to do first is introduce to the Board Matthew Kent, who is our technical services inspector at the Division of Gas and Oil. Matt has worked quite a bit on this stuff and has put together a series of outlines and things to kind of give you an idea of where we're working from on this. I would like to acknowledge to that we have gotten an electronic data files from many services to compare these things. The companies Equitable and CNX both supplied us with their digital files relative to the field. We have files from Glen Phillips who initially did the Nora

Field. I'm not even sure how many sources we have. Plus we have tried to convert the original definition of the field to put on there such that we can see how all of the things come out and show you what the discrepancies are and then we'll try to show you what we are suggesting for a fix. So, Matt, if you want to get started here. Now, we need to get you on the microphone somehow or another here. So, either speak loudly or stand around somewhere.

BILL HARRIS: Do we need to adjust the lighting at all?

BOB WILSON: It wouldn't hurt, yeah. What Matt is going to be showing you are actual CAD files. So, he will be switching back and forth with things on the screen. This is not a power point presentation. So, of there's something on there that you need to go back and look at later, he will just have to bring it up on the screen. Matt, go ahead, please.

MATTHEW KENT: What Bob has asked me to do is kind of show you the progression through the Board orders of the... generally, of the Oakwood Field. We're going throw Nora up there as well. So, the first figure that I'll throw up there is the Nora Field outline based on Board order CB989. That will be this one here. So, we can see the outline of where that was. Then, based on Board order VGOB-

91-1119-162, we have the original outline of the Oakwood Field here and how it cut into the Nora. Next in the progression was the Board order, I believe VGOB-93-0316-0348, which expanded that Oakwood Field, my green here, out to the Commonwealth boundary and another section in here. The lines that you were seeing up here so far are all based on the Board orders themselves, the information pulled out of the Board as best as it could be defined from there.

The next progression that I'm going to try and show you is from Board order VGOB-93-0316-0348-01. This will be with all the grid internal from it. But it will show you what was given back then to Nora from that...the green line, the Oakwood here.

So, it's mainly this segment down here that you see was returned.

And the next that I have here is the definition of the Middle Ridge from VGOB docket number 00-1013-0835. This segment down here.

Bob, whatever section you would like me to focus in on next, I'll be glad to zoom to.

BOB WILSON: Yeah, if you will go ahead, Matt, please and demonstrate the differences in the outlines that we're dealing with between the various...it might indicate that this outline, of course, does not show the Nora grid.

This is the Oakwood grid as it moved into the outline of Nora.

MATTHEW KENT: I guess an initial difference we can see is this grid that you're seeing here in the light blue is the grid provided by CNX to the Division of Gas. Then, as I stated before, this green line is the Oakwood Field drawn from the Board order itself. You'll see down here that we have...let me pull Middle Ridge off of it. It might make it a little more clearer. We do have a discrepancy here of approximately 227 feet. If we add what was provided by Equitable, you should see another line show up in here. Here is our yellow line for Equitable coming in on this segment here. Let me see if we can find the outline of that a little bit better. This is the edge. This last unit isn't drawn in on what was provided there. But you can see we are off of that southern baseline here of what we determined would be best drawn from the Board order itself. Then Glen Phillips also has a version, which is very similar to one of the other. I don't recall whose it was. I believe it's very similar to...let me throw CNX back up there. We're close, but we still have a difference there as well.

BOB WILSON: I might point out that this is the southeast corner of Oakwood that we're looking at and this

is the place where we found our greatest discrepancy. So, what you've seen there is the most that we have to deal with.

MATTHEW KENT: Which area would you like to look at next, Bob?

BOB WILSON: If you can show the varying interpretations as we come down the border from the north there of the boundary between the two fields.

MATTHEW KENT: Here again you can see the green line is based on the Board order itself. The yellow line is provided by Equitable. The blue was provided by CNX. The grey line was provided by Glen Phillips. This is our original Nora gutting in here in orange. There's another intersection of the original Oakwood, which is no longer current. I'll pull that off.

BOB WILSON: For your consideration, as we go along here, many of these corners where we are now were defined in the original orders in latitude and longitude coordinates which has been converted to Virginia State Plain Coordinates, which is what we all work in now, and possibly using differing conversion equations. Now, there is a section of the map as we move to the west where we lose all coordinates. If you'll move over to the next corner to the west there Matt, this corner...that corner right there, I

believe, is defined by latitude and longitude. As you move to the south on that grid, you run into a situation where the...we leave any kind of definition and we start counting units in the Board's order. It says, "five units to the west and twenty units to the south" with no coordinates involved. Now, the width of the units are defined in the order. So, presumably you could come up with that, but still it leaves to some significant discrepancies. So, the line that goes to the left here...the lines that go to the left were defined strictly on adding units to that longitude lineup there. Matt, don't let me get beyond my...don't let me say something that's wrong here, but I think that's correct, is it not?

MATTHEW KENT: That is correct as far as I can tell. On one of the other discrepancies that we have above here, as you can see, was the Glen Phillips line and Equitable's line at this level and CNX following up one on this level, which does match more closely the Board order here. So, that's kind of...we're looking at makeup units along the top here. This would be typically your 80 acre here and these, I believe, are approximately 106 acre. And as Bob described, this was one of the places where the Board order states to move along a particular line to the west five units.

BOB WILSON: This is the boundary we're concerned with right here. You can see the area in the bottom there where other units, as Matt showed you earlier, were carved out of Oakwood to return to Nora. The Board actually acted on that. If you look near the bottom there, you'll see some almost strange half units right there right above Matt's cursor. That...the boundary in this area has been defined. That was the only modification that has been done to the fields that actually define the boundary between the two. It's defined on units on units again and not coordinates. But it does define the relationship between existing units and what was put together after the Board modified the order.

Matt, if you would, if you could put up the Oakwood and Nora grid and maybe use the best ones that we've got rather than cluttering it up too much. So, basically, what we would like to do is follow down from that northern end of the border between the two fields and kind of explain what we're looking and where we're thinking about good on this stuff. I'd like to show that one of the situation that we ran into was the fact...and, again, this shows my personal ignorance of this thing. I had always assumed that the State Plain Coordinates system been laid out along parallel latitude. I was wrong. It is not. If you pick a

point of constant latitude and follow it along that point due east and you pick a...that same point in the State Plain and follow it due east, those lines are going to diverge as you go away. I think this is where our problem probably came in with surveyors and helping us putting these things together. Again, I had always made the assumption until we got into this that everything was done on parallels. You should never make assumptions about things that are done by human beings.

At any rate, that I think is the root of our problem is the fact that those things are not parallel as they move from west/east. They do diverge in the manner that we showed...the map showed you the southeast corner of the grid earlier. That was for our maximum problem is, that southeast corner. As you go east, those lines converge back to...essentially to a point of beginning. So, that's where we ran into a problem. This is a Board problem as much as it is anybody else's problem. There's no...nobody did anything wrong here. Everybody took the information that was given to them and did the best work that they could. Some of the problems for converting from latitude and longitude, which are the points that were originally used to define the fields were of a different conversion factors used. Again, there were obviously surveyors and companies

who started with that starting point of Oakwood and then measured the field on a statewide...State Plain Coordinate.

The good news is, I don't think we have to worry about it too much. What we'll show you now is what we have kind come up with here to try to rectify this situation to acknowledge what has been done so as to cause the least amount of disturbance and then hopefully be back with you next month with a proposal to modify these orders and once for all to define these field boundaries and the boundaries and the boundary relationship (inaudible.)

Let me turn on a little bit of light. I've got something I want to pass to you guys. You can still see that more, I think. Okay, that's all anybody gets because that leaves me with one copy. If you'll open this up and look at it, you'll see numbers going across the top that are the same as the numbers. That intersection right there is the same as this corner of the map that you're looking at. If everybody has located that. What I would like to do, again, is kind of run you through this rather quickly and we'll supply any of this information to anybody who needs and try to work with you and hopefully get it through in electronic form. We ran out of time and had to do this the old fashion way. What we want to do, first of all, if you look here...Matt go down to the intersection down here

between the two fields. This intersection of Nora over here and Oakwood over here. This unit and this unit right across here, this unit has been drilled. It was drilled as an 80 acre Oakwood unit. That was sometime back actually. That's an old well there relatively speaking. So, this would be an 80 acre Oakwood unit here. This unit has been drilled right here. That's an 80 acre Oakwood. As has the one the above it and has the one above it. So, the 80 acre units have already been defined in there by drilling up by at least a short way up the side of that...move that just a little bit, Matt, and move me out of the...there you go. So, basically, what we're seeing here is the Oakwood units are going to continue over here all the way up. I think you'll see that represented on the map that I gave you there. Again, we're acknowledging what has already been done there. The units are here and here. That's A-18 and A-19 unit. Both of these have been drilled. A-18 was drilled as a 107 acre unit. A-19 is where one of our problems comes in. A-19 was originally drilled as an 80 acre unit. Right here, it was drilled as an 80 acre. A-19A, the second well in the unit, shows this as a scrapped unit. In other words, a makeup unit at the edge of the field, which was where we're...what we're looking for here. This is something that we'll have to work out with the companies. I don't know how they've

taking care of that. But, again, this is not a significant problem I don't think. A-20---.

BILL HARRIS: Excuse me. Bob, I have a question about the plat that you handed out.

BOB WILSON: Sure.

BILL HARRIS: It looks like my...unless I've missed something, my A-19 is you're A-20 in that unless I'm misreading this.

BOB WILSON: Well, again, now you'll have to remember that we're extending that unit over to here. So, I-106 is going to be the skinny unit on the north side there. This is where this stuff gets a little bit...this map that's on the screen is not the same as we're showing you. I have manually altered the one that I give to you from what we printed up here because, again, these units have already been drilled as 80 acre units. That square that I'm tracing there has already been drilled as has this one and the one above it. So, basically, what I'm saying is the Oakwood boundary would come to here. This is one of the definitions of it leaving makeup units on the Nora side.

MARK SWARTZ: What he has...he has done...Mr. Harris, I had the same problem that you did. If you look at the Oakwood row to the...immediately to the east of the little plu symbol area---.

BILL HARRIS: Yes.

MARK SWARTZ: ---he has pencilled that in. You can tell that he has drawn it in. That's a new Oakwood row of 80 acre units that is not depicted on the map that's on the screen.

BILL HARRIS: So, that's east of---?

BOB WILSON: On this map. We used it on some, yes.

MARK SWARTZ: Correct. Right.

BILL HARRIS: ---your 106...well, not really. It's splitting the 106 units?

BOB WILSON: Yes.

MARK SWARTZ: Right. Right.

BILL HARRIS: That green---?

BRUCE PRATHER: It's making the correction right up the middle there.

MARK SWARTZ: Yeah.

BOB WILSON: Yeah, yeah. Originally, by this interpretation, now, again, we have cleaned off some of the other versions that we have just so we could show you one that doesn't have all the confusion. If you think this is confusing, you should see it with all of that up over there. But, basically, according to this interpretation and I don't even know whose it is, the Nora unit would have been a large

makeup unit there. All of these up here, would have been a large...would have been large makeup units and you would have had very small makeup units on the Oakwood side. In reality, these have been drilled as 80 acres taking them out to that line, which was somebody's definition. Actually, I believe that's latitude line there too. Is that right, the longitude rather? Isn't that a longitude line there?

MATTHEW KENT: That's the...the green line is actually drawn from the Board order.

BOB WILSON: Okay.

MATTHEW KENT: And all the blue in this case is provided by CNX.

BOB WILSON: So, here CNX gets a gold star because they went by the Board order. What this leaves is makeup units that are a little skinny on the Nora side. That unit has already been drilled here. It is drilled as a skinny makeup unit. So, the situation that we have now actually acknowledges this as the boundary. It takes these 80 acre units all the way over to that boundary and it has makeup units which are not very small actually on the Nora side of the field. That puts everything in a position that it is now. It acknowledges what has been done. There are people who are being paid in 80 acre unit here for years. Again, it goes by the original definition. So, we know no harm and

no foul here. The same company is developing on both sides of that line right here. So, again, there are no...we don't find any issues with that. So, we would suggest defining this corner right here and using these makeup units. Now, the one problem, again, is the A---

LESLIE K. ARRINGTON: 19.

BOB WILSON: ---19 that we'll has to work out with CNX. The latter one did show the various units. So, we think we're okay on that. Let's move on down the line here a little bit. We do have some...a definition that has already been made in there. About six units over...go back. There we go. Okay, right here, this unit has been drilled. These units are the ones that the Board considered some time back that had been...created off pattern before the maps were actually produced years, years and years ago. The Board went through a procedure to straighten those out and get it back on the grid there. I'm pretty sure that was AI-99. This unit has been drilled. It is a large Nora makeup unit. So, that, again, acknowledges where we are. We have plats that define those boundaries that we can go back to.

Now, part of what I was saying earlier, is we're going to probably go back to the operators to get some of this information. In order to define those plats, somebody has defined those corners. Now, CNX gets another gold star

here because normally on their plats it will actually give State Plain coordinates for the corners of those units, which has enabled us to go back and fit them on the grid. Now, everybody does that that. You'll get your downside later.

LESLIE K. ARRINGTON: Oh, I'm sure. I'm sure.

(Laughs.)

BOB WILSON: Anyway, the...another thing, while I'm bragging on CNX is they also use unit things. In everyone of those units this would be an L-11 well. Equitable never mentions unit groups. Very few people do actually outside of the Oakwood Field. It gets really confusing. It's going to get more so with double wells in the units and so forth and so. We might want to lean on people to actually start using these unit names somewhere on their plat or in there information just so we can keep it straight because it's really difficult to find a well now that doesn't have... again, this is kind of, of course, out of the barn sort of thing. Back when we started this, it wasn't important because there wasn't that much activity. Now, it has really getting tough to keep up with. That's an aside. Anyway, go across the next corner over there if you don't mind Matt. This corner should be defined by latitude and longitude. There's no drilling here. There are no

wells drilled in this one. So, we don't have anything to lean on here. Probably what we will do here is we will come up with a coordinates of that. They will be instructed to pass it around to you guys and you can comment on it and pass it to your surveyors and we'll come up with an agreeable corner at this point. Now, what I have done on the map that I handed out, when you go down this row here, rather than putting these units, which actually sometimes won't show up quite that big. None of these have been drilled. It's my suggestion on here, subject to anybody's contrary suggestion, is we actually combine these units along here. One reason for that is if you look at the topographical expression along this border here, it is really rough. They're going to be units there that will not be able to be drilled if they're confined to those skinny units because the interior window is going to be very small. So, just as a consideration and that's the way I've shown it on here is to combine those into one makeup unit there. Again, we want your comments on that. Go down to the next one.

Okay, right here, we've got a major problem here. I'm not altogether sure. As a matter of a fact, if you'll notice I did not address it on there because I'm going to wait for somebody else to. I told you your time would come.

CNX has actually drilled a unit L(-1 ) right there. There is no unit

L(-1) defined into an order. It does not go above N. That unit has been drilled as an 80. The W-82 unit in Nora has been drilled also again by CNX. So, that changed a little bit. But, basically, what happens here is that the L(-1) unit actually cuts into these other ones. Again, this one has been drilled as has the one that cuts into it. I don't have a clue as to what to do in here. I don't know how to fix that because that L(-1) unit has been being produced well for ten years.

LESLIE K. ARRINGTON: Actually, it has never produced.

BOB WILSON: Really?

LESLIE K. ARRINGTON: Yes. That well...that's one of the wells that I called you about asking if we could...that well has been sitting there every since the VP3 mine was closed.

BOB WILSON: Yeah.

LESLIE K. ARRINGTON: That well was drilled for the VP3 has never produced. It has just been sitting there.

BOB WILSON: Okay.

LESLIE K. ARRINGTON: So, it has never had production in it.

BOB WILSON: Okay.

LESLIE K. ARRINGTON: And none of the...none of the wells that we've drilled in that area have never produced.

BOB WILSON: Okay.

LESLIE K. ARRINGTON: So, we can still fix that.

BOB WILSON: Usually, what (inaudible) that one has been there for, like I said, over ten years.

LESLIE K. ARRINGTON: Yes, sir.

BOB WILSON: I kind of assumed. I didn't look up production. Actually, that's probably fixable then---.

LESLIE K. ARRINGTON: Yes.

BOB WILSON: ---because we can go back to the proper unit---.

LESLIE K. ARRINGTON: We can fix that.

BOB WILSON: Modify the permit or whatever is necessary. We'll need to work directly with you guys on that because like I say you're involved in both of the units there.

LESLIE K. ARRINGTON: Yes. And, actually, it comes all the way...looking at this map the way you've got it drawn on what you've given me, I think we've got five or six wells in there. I'm not sure. L(-1).

BOB WILSON: No, I think...I think everything else

below there.

LESLIE K. ARRINGTON: Is it below there?

BOB WILSON: I think it is, yeah, because...let me see, these two units have been drilled by Appalachian Energy---.

LESLIE K. ARRINGTON: Okay.

BOB WILSON: ---which leads me to believe these units is makeups in Nora, small makeup units in the Nora. I don't know of any other way about that because like I say these have been drilled, which kind of isolates this.

FRANK HENDERSON: They've not been produced though.

BOB WILSON: Excuse me?

FRANK HENDERSON: Those wells have not been produced.

BOB WILSON: Yours haven't been produced either?

FRANK HENDERSON: No.

BOB WILSON: But they're still legal unit wells there that we would have to deal with unless you're planning to plug them (inaudible).

FRANK HENDERSON: Well, actually, we're waiting for a pipe crew to get in the area.

BOB WILSON: We'll talk about some of those things later. Anyway, you can see what I have done there. Again,

this is a suggestion, is to throw these units or open these units up. Again, this back in here, we're going to have to work out because I don't know what to do with that. Now, the fact that the well has never been produced makes it---

LESLIE K. ARRINGTON: That helps.

BOB WILSON: ---a lot easier. Yeah. The main thing that we were concerned with here are correlative rights issues for these units that have been produced. So, that's good. Move it over to the corner there Matt, please. Okay. This unit and this unit have both been drilled by Range Resources. There were both drilled as 80 acre units. So, this actually it makes a very good boundary here. This is part, of course, the boundary that we are concerned with that Nora...this unit has been drilled. It is drilled as a skinny unit. In other words, it using this 80 acre boundary as its boundary. So, they've already taken care of that for us. This one up here, I assume, they have overlapped because there was no chunk taken out of that or anything. So, I assume they're probably paying that double. That's fine. We've got absolutely no problem with that. If you move down, Matt, to the..right there. Okay, here, again, is one of the places that we were concerned with. This is where Equitable gets their gold star. They have actually defined this unit exactly like that. In other words, they

took that Oakwood chunk out there. They drilled this unit in that configuration. So, this corner is defined at Equitable. That...obviously, a surveyor can find that corner for us there. That's what we're looking for. Let's see, this unit has been drilled. It was drilled again as a skinny Nora makeup unit. We're fine on this boundary. We have no problems at all on that boundary. There were a couple of others drilled up here on the Oakwood side, I guess, the same ones you told me haven't been produced, up near the airport.

LESLIE K. ARRINGTON: On up down here?

BOB WILSON: Actually, further up. But they were drilled as 80 acre units as well. So, this boundary is one of those that is no problem. Now, if you start stepping down over here, what I have done is just come up with something of course all to look at. Basically, my idea would be to define these as individual units here. That would be one unit. In other words, this would be the one of the Nora dividing line. This would be a unit and this would be a unit. All of these along this line I would incorporate that little sliver there to make a larger Nora makeup unit. Okay, now, as you step down down here you've got some more problems. My thought here would be again a makeup unit and just let that area pay...each unit pay those people in that

sliver. Again, it's not a significant amount of overlap. It would hold everybody in there. Now, right here, that's the unit that started all of this. We've got an application for drilling that unit. That unit is so narrow there's not even room in there for a setback window. There's no 300 foot setback there. So, this is what got us lite up to start with and got us into all of this. Basically, what we were looking at there...did I get the right one, Les?

LESLIE K. ARRINGTON: Yes.

BOB WILSON: That one, right?

LESLIE K. ARRINGTON: No, I believe it's...I believe it's---

BRUCE PRATHER: Down below it.

LESLIE K. ARRINGTON: ---83.

BOB WILSON: One of those has already drilled. This is the one that has already drilled.

LESLIE K. ARRINGTON: Is it?

BOB WILSON: Yeah, yeah. This is the one that you have applied for.

LESLIE K. ARRINGTON: Okay, it is.

BOB WILSON: And that was the one that I was thinking it would be this...this one...this one was already drilled as a skinny unit. Now, the well sits right up here and there. That was a big (inaudible) unit and there were

the correlative rights issues in there. It was a big fee tract that they were drilling there. So, we gave them an exception and let them drill that unit some time back. So, that would leave this one, which I propose to allow the overlap. Again, the people who have leases and interest in this would have to have input into this as to whether or not it would interrupt anything if we do that. Now, when you get down to here, again, as I said earlier, this boundary was defined. We defined an overlapping unit down here because we couldn't figure out what to do with it years ago. So, all of this is defined and all of this is straight Nora to the west and south here. This little unit here kind of gets left out there and I don't know exactly the best way to define that unless you want to overlap the whole thing there. Again, a lot of it is going to depend on who owns that acreage and how they want to handle it. So, we're going to hope to get feedback from everybody there. We could actually make that into another little unit or do an odd shape like that, but I don't...none of those are very appetizing. So, we would like to consider the possibility of makeup units there because it includes all of this. That's about it insofar as the boundary is concerned. As I indicated earlier, Matt can you pop up the version of Oakwood that shows where the units are that we had plotted

on there. We have plotted a number of...again, I guess, I should digress a little bit here. Nora was defined and then Oakwood overlapped it and kind of encroached onto it by various modifications and so forth and so on. Then, some of Nora and some of the Oakwood was carved out and given back to Nora. But Nora has been pretty static. Oakwood has moved around all this time. So, basically, since CNX is the dominate developer of the Oakwood Field we have units in State Plain coordinates just like they do their well location. We have laid those over this grid and basically where they match, that's where we're proposing to define our lines and corners because these are units that have already been drilled. We don't find any encroachment problem. Apparently, the northern boundary of the Middle Ridge, which was added after Oakwood obviously and after the Nora, this apparently defined in our maps because on the erroneous boundary with Oakwood...the southern boundary of Oakwood. So, we have no issues there. So, what we would propose would be that we take those units we have...almost all of these along here has been drilled. We've got that corner well defined...until he closed it up.

(Laughs.)

MATTHEW KENT: Sorry. It looks good there. It looks big.

BOB WILSON: Move that thing down a little different. But we do have that corner defined. We have many places along this line defined. We have many of these units here defined. That corner up there is defined. This is great. These are the units...these are the units...these are just the ones that we have plotted. There are others. There are many of them. But as you can see, we got definition there. We have got definition that step back down here in this corner. Several places along that line. Like I say, many more than we've shown here. Those are the correct one. What we would propose to do would be to come back and propose to you folks, many the industry who is using this, not propose to you but circulate this to you for your comment. Let your surveyors, the people who do this sort of thing look at it, and point out the major problems that we have. We would hope to be back next month with a map and these defined corners such that everybody has seen it. They've brought up the problems with it. We have defined it more often to the Board. If the Board approves then we will issue an order modifying both fields to define the boundaries of the field and...the boundaries of the Oakwood Field and the units at the intersection. That's all I have.

BILL HARRIS: Any questions or discussion?

(No audible response.)

BOB WILSON: Any comments anybody has at the moment would be great. We will give you the opportunity, obviously, to provide comments later on.

BILL HARRIS: Okay. Mr. Wilson, we thank you. Mr. Kent, we thank you also for that presentation. We will carry this forward until next month?

BOB WILSON: Yes, sir.

BILL HARRIS: We will have that discussion again. I think we'll take a break if you all don't object. Five minutes, I guess.

(Break.)

BILL HARRIS: Okay, we'll go back on record then. We'll continue on. Our next item is number ten unless I've miscounted. I think we're okay. A petition from Chesapeake Appalachia, LLC for a well location exception for proposed conventional well 826642, Knox District, Buchanan County, Virginia. The docket number is VGOB-08-0219-2144. We'd like all parties who wish to speak to this petition to please come forward.

JIM KAISER: Now, Mr. Chairman and Board members, it will be Jim Kaiser, Stan Shaw and Ed Rothman on behalf of Chesapeake Appalachia, LLC. We'd ask that they be sworn at this time.

(Stan Shaw and Ed Rothman are duly sworn.)

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

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

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, do your responsibilities include the land involved for the unit and for 826642 and in the surrounding area?

A. Yes, they do.

Q. And you're familiar with the application that we filed seeking this location exception?

A. I am.

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

A. Yes.

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

A. We have 100% of the drilling rights.

Q. And does Chesapeake have the right to operate the reciprocal well, which will actually be a

horizontal well?

A. Yes, we do.

Q. Are there any correlative rights issues?

A. No.

JIM KAISER: Now, Mr. Chairman, at this time, I'd like to switch over to Mr. Ed Rothman and then we'll come back to Mr. Shaw.

BILL HARRIS: That's fine.

ED ROTHMAN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Rothman, I'm not sure if you've testified before the Board previously or if you have it has probably been a while. So, I mean, if you would kind of just go over your work history and your background and what you do for Chesapeake.

A. I'm a Senior Geologist. I work out of the Charleston, West Virginia office. My primary responsibility is Virginia, Southern West Virginia and Eastern Kentucky. I've been with Chesapeake and its predecessor companies for twenty-eight years.

Q. Okay. Now, you have prepared a handout for the Board that I'll have you go through for them. But kind of explain, just in more general layman terms, not only why this well has been drilled initially as a...essentially a monitoring well, but then what will happen to this well long term eventually.

A. Okay. We're getting ready to drill our first horizontal shale well in Virginia. We're going to try a technique which is called micro seismic frac mapping where during the fracing of the horizontal well we can monitor where the frac goes and where the fractures are created. You can see, if you look at this first sheet, you know, we'll be able to turn out...determine the fracture height of the fracture length. The fracture azimuth or direction in the relative degree of complexity. If you look at that picture on the bottom of page one, that circle in the Middle is the well bore and as the frac goes out east/west as the fractures are created there's little what they call micro seismic events and that's what we're going to be monitoring. If you turn to the next page, this is an example of the micro seis job that we did in Lincoln County, West Virginia. There were four stages pumped in this well. If you look at the diagram, there's that Chaz Fee Number 1H. That's the surface location. The well was drilled...the well path was

drilled to the northwest. You could see that green star. That was the monitoring well. As we four staged frac this well, you know, the first stage, it's hard to see, but it was the dark blue dots and there was a shut down during the job. That's why there's a stage 1 and a stage 1B. There was a shutdown of an half hour for some equipment problems. The stage 1B is in red and then the next stage it's real hard to see these colors. But that's basically is what it is showing as we frac this well. The stage one was closest to the well bore and then the stage 4 was the farthest away. Based on the results of this test, we determined that the fracture direction or azimuth was north 45 east. The length of these fractures from the well bore were 1200 to 1850 feet and it had a moderate degree of complexity. If you go to the next page, this is kind of a side view of the same job in Lincoln County, West Virginia. Our target to go horizontal was the Lower Huron shale, which will be the same target in Virginia. You can see again the side view that...it basically shows that our frac pretty much did stay within zones within this Lower Huron Shale. If you turn to the next page, this is a map. If you're looking down on the well path and the monitor well again and it basically shows you what the first page showed. We had a viewing radius of about 1850 feet of this well. It, again, shows you the

direction of where the frac went. It's very similar to the first page. If you go to the next page, this is our proposed horizontal unit, which is 826641. The green dot to the south is the surface location and the well will be going to the northwest. That darker dot is the bottom of the hole. The well that we're talking about here is 826642. It shows you its location. We'll approximately be about 2,000 feet away from the horizontal well bore. If you go to the next page, just kind of a summary, you know. Micro seismic is a successful way of mapping the fractured patterns of the Lower Huron Shale. Micro seismic provides frac azimuth direction and frac half way information as well as proper well spacing information. The monitored distance should not exceed 2,000 feet due to a continuation of seismic signal and distance between CHK wells 826641 and 826642 was the maximum limit for the effective micro seismic importance. Basically, this information is going to be helpful to us in determining how these fracs in the horizontal wells go and also help us in planning future spacing of these horizontal wells. That's all I have.

BILL HARRIS: Questions from Board members?

BRUCE PRATHER: Mr. Chairman.

BILL HARRIS: I'm sorry, let's...let's consider this Exhibit AA for the purpose of the record. AA. Yes,

Mr. Prather.

BRUCE PRATHER: Ed, are the wells...the horizontal wells are you going up dip or down dip?

ED ROTHMAN: We are going up dip.

BRUCE PRATHER: Okay. The only thing that I would like to ask you is are these wells internal within your acreage block and that there will be no correlative rights outside this circle or square that would be affected by the drilling of this well.

ED ROTHMAN: Yeah, I believe this all the same.

JIM KAISER: Yeah, it's all Buchanan Energy.

ED ROTHMAN: Yes.

BRUCE PRATHER: Okay. So, there are no outside wells that would be affected?

ED ROTHMAN: No.

BRUCE PRATHER: Okay. That's good.

BILL HARRIS: Other questions?

(No audible response.)

BILL HARRIS: Let me ask you a question about your monitor well. Could you just describe that? I know that you're using that to detect the seismic information.

ED ROTHMAN: Right. Basically, it's a well that has already been drilled. We've run casing in it. We have not completed it yet. It's just going to be a listening

outpost. We're going to lower, you know, tools down in the well to listen for these micro seismic events when we do this horizontal well. Eventually, this well will be completed probably in the Lower Huron Shale and other shales below it and formations. They will be completed as a regular vertical well. So, the horizontal well right now is proposed to be in the Lower Huron. So---

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes, Mr. Wilson.

BOB WILSON: The permit for this well that they're planning to use for monitoring the frac job has already been permitted as he said. It was permitted excluding the Lower Huron from the formations to be completed. In other words, they now have a permit to complete other zones in this. The reason that they need this location exception is so that they can do modified permit and come back and complete this same Lower Huron zone and the monitoring well. They actually don't need the location exception in order to perform the monitoring that they're planning to do. I would add my two cents worth to this particular type of project. Virginia is very early right now in the horizontal drilling program. Any good science that could be done associated with these things is going to do nothing but help everybody.

BRUCE PRATHER: I've got another question.

BILL HARRIS: Yes, Mr. Prather.

BRUCE PRATHER: Ed on your frac stage jobs or your stages on these, how far along the...how far between on a horizontal do you do these stage frac jobs. Are these about every thousand feet or something like that?

ED ROTHMAN: It's more like 500 feet. We use a packer system so there will---

BRUCE PRATHER: Yeah.

ED ROTHMAN: ---be packers in there and then the packer there will be a slotted line or something that will open up in the middle of that 500---

BRUCE PRATHER: Okay.

ED ROTHMAN: ---foot zone. But I think 500 feet is what we've used previously.

BRUCE PRATHER: Okay. We have had 800. You know, we've had all sorts on the previous ones---

ED ROTHMAN: right.

BRUCE PRATHER: ---that have been asked us to approve. We have all sorts of distances on these stages. Okay, thank you.

BILL HARRIS: Let me ask a question about your, I guess, page two of this. I just...I guess I'm a little confused about a figure there. It's Lower Huron all stages map view. I noticed that your actually drilling line, that

grey line across the bottom, your...I guess these are monitoring stations that you're looking at to the upper part there...I mean, to the upper right. What's happening in the Lower left? Are we---?

ED ROTHMAN: Oh, why don't you see anything over there?

BILL HARRIS: Yes.

ED ROTHMAN: I think it's because that well is to the east or northeast of that well bore. It can't adhere over on that southwest side.

BILL HARRIS: So, the monitoring well you're saying is detecting that...I mean, I know that that's detecting that information. But you're...so---.

ED ROTHMAN: Right. I think because it's closer to those events, you know, that's why it's seeing a better picture on that north or east side.

BILL HARRIS: Now, can we make any assumptions that this is...I hate to use the word symmetric, but is there anything...what can we assume on that. I mean, it's--  
-.

ED ROTHMAN: Well, I guess that's the assumption that you can make that it would mirror the other side. But, you know, in order to find out you would have to have a monitoring well on both sides.

(Bruce Prather and Bill Harris confer.)

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

Other questions?

(No audible response.)

BILL HARRIS: Okay, thank you for your information. You may continue.

JIM KAISER: We'll briefly return to Mr. Shaw.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, when the monitoring and evaluation aspect of 826641 is finished and you complete it as a conventional vertical well were this location exception were not granted, could you project the estimate loss of reserves?

A. About 300 million cubic feet.

Q. And what would the total depth be once the well is completed for purposes other than monitoring?

A. It's 5,960 feet.

Q. In your opinion, would the granting of this location exception be in the best interest of not only preventing waste, protecting correlative rights and maximizing the recovery of the gas reserves underlying the

unit, but also as Mr. Wilson stated serve the purpose of hopefully providing a lot of valuable information not only to Chesapeake but other operators in the Commonwealth drilling horizontal wells?

A. Yes.

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

BILL HARRIS: Thank you. Any further questions from Board members?

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

BILL HARRIS: Okay. Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes, Mr. Wilson.

BOB WILSON: Before we get away with this one, bookkeeping stuff here. Your plat identification does not key to the tracts on the plat. We could get an amended

version of that to show who...what people belong to which tracts.

BILL HARRIS: Yes, we will need that. So, if we could have that amended, location plat, I think it will be okay.

JIM KAISER: Yeah, we don't normally do that with location exceptions. I don't think I would do that with any of them. It's not a force pooling.

BOB WILSON: I know. But I thought we always had a tract identification.

JIM KAISER: We should have noticed. We list all the people that have been noticed and, you know, the tracking sheet and the number of the green cards and all that. But we don't ever---

BILL HARRIS: Yeah, I don't recall.

JIM KAISER: ---add them like that on a location exceptions not with Equitable and not with anybody. We can, but we never have.

BOB WILSON: I'll look back and see what the requirements are.

JIM KAISER: Okay.

BILL HARRIS: Okay. Well, I'll let you all---

SHARON PIGEON: Well, the approval subject to whatever you tell him he needs to do on the plat.

JIM KAISER: That's fine.

BILL HARRIS: Okay. We can do that.

(Board members confer among themselves.)

BILL HARRIS: Okay. So, we'll ask that that be included on that. Okay, fine. Thank you. We'll move on then. The next item is a petition from Chesapeake Appalachia, LLC for a well location exception for a proposed conventional well 823793, Knox District, Buchanan County, Virginia, docket number VGOB-08-0219-2145. We'd ask all parties who wish to speak to this item to please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Stan Shaw on behalf of Chesapeake Appalachia, LLC.

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

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

Q. And you're familiar with the application

that we filed seeking a location exception for well 823793?

A. Yes.

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

A. Yes.

Q. Could you indicate for the Board the ownership of the oil and gas underlying the unit for well number 823793?

A. Chesapeake Appalachia has 100% of the drilling rights.

Q. Okay. And in this case, we have two reciprocal wells. In other words, two wells that we're seeking an exception from. Does Chesapeake have the right to operate both those wells?

A. We do.

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

A. No.

Q. And could you explain for the Board, in conjunction with the exhibit that you just passed out, why we're seeking this exception?

A. Yes. This exhibit was prepared our surveyors. It shows the steep terrain in the area. Due to the steepness, the site was located on the only natural

bench with the confines of this watershed and the site was approved at this location after consultation with the mining companies. So, it will not interfere with mining. It was pre-approved by the coal. There's---

Q. Pretty much the only that you can put it?

A. Yeah. There's 52% greater slope in the area. So, it would not be safe to build a location anywhere else.

Q. Okay, so terrain and then it's a pre-approved location by Alpha, the coal owner, correct?

A. Yes.

Q. Okay. And in the event the location exception were not granted, could you project the estimated loss of reserves in this case?

A. 300 million cubic feet.

Q. And the total depth of the proposed well?

A. 5,770 feet.

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

A. Yes.

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

BILL HARRIS: Questions from members of the Board?

BRUCE PRATHER: I have a question.

BILL HARRIS: Yes, Mr. Prather.

BRUCE PRATHER: The other two wells that are proposed, they're both within...they will also have a variance of the 2500 foot circle, won't they? They are proposed. The one you're talking about is 823793. That's the one you're---

STAN SHAW: Right. 82---

BRUCE PRATHER: And these other two in the blue now. The red one up here is a well that has already been drilled, that correct?

STAN SHAW: Correct.

BRUCE PRATHER: Okay.

STAN SHAW: The 826463 was permitted and we last fall got a spacing exception on 823794.

BRUCE PRATHER: Okay.

STAN SHAW: And I think it has been permitted.

BRUCE PRATHER: So, you have...so, the coal company has approved these other two locations.

STAN SHAW: Yes. Yes.

BRUCE PRATHER: Okay. Fine, thank you.

BILL HARRIS: Any other questions?

(No audible response.)

BILL HARRIS: Do you have anything further?

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

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. That passed. That has been approved. Okay, our next item, a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-152(J-24), Garden District, Buchanan County, Virginia, docket number VGOB-08-0219-2146. We'd like all parties who wish to speak to this item to please come forward.

JIM KAISER: Mr. Chairman, in this case, it will be Jim Kaiser, Justin Phillips and Frank Henderson for Appalachian Energy. We'd ask that Mr. Phillips and Mr. Henderson be sworn at this time.

(Justin Phillips and Frank Henderson are duly sworn.)

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

JIM KAISER: We've got some revised exhibits to pass out.

(Jim Kaiser pass our revised exhibits.)

JIM KAISER: The revisions in this particular case were to properly set out...I think when we filed this we were not showing in Tract 3 the Lorene Bucklen. We were showing, I believe, that to be a...just an oil and gas lease from Cabot and actually it's a oil, gas and CBM lease, which obviously changes the nature of the ownership within the unit. So, that's your revision on this particular...on these particular exhibits.

BILL HARRIS: The Exhibit B that was just handed out?

JIM KAISER: Yes, sir.

BILL HARRIS: And, I'm sorry, would you repeat again the---.

JIM KAISER: The revision is to Tract 3.

BILL HARRIS: Okay.

JIM KAISER: It was originally shown, I think, as just an oil and gas lease to Cabot where it's actually an oil, gas and CBM lease, which is obviously relevant. This is a CBM unit. We'll start with Mr. Phillips.

JUSTIN PHILLIPS

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Phillips, if you could state your name, who you're employed by and in what capacity?

A. Justin Phillips, Appalachian Energy, landman.

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

A. Yes.

Q. Are you familiar with Appalachian Energy's application seeking to pool any unleased interest in the unit J-34, well number AE-152, which was dated January the 17th, 2008?

A. Yes.

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

A. Yes.

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 regarding the development of the unit with each respondent?

A. Yes, it was.

Q. At this particular time and in accordance with our Revised Exhibit B, could you state the percentage of the gas estate that's under lease to Appalachian Energy?

A. 79.77% of the gas and 79.77% of the coal.

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

A. Yes, they are.

Q. So, 20.23% of both the gas estate and the coal estate remains unleased?

A. Yes.

Q. And we do not have any unknown and unlocateable respondents in the unit, correct?

A. No, we don't.

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

A. Yes.

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

A. Yes, they are.

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

A. Yes.

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

A. Yes.

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

A. A five dollar bonus, five year term and 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, they have.

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

A. Yes.

Q. Do you recommend that the order provide that elections by respondents be in writing and sent to the applicant at Appalachian Energy, Inc., P. O. Box 2406, Abingdon, Virginia, zip 246212-2406, Attention: Justin Phillips, Regulatory?

A. Yes.

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

A. Yes.

Q. Do you recommend that the order provide that if no written election is properly made by a

respondent, then such respondent should be deemed to have elected the cash royalty option in lieu of either direct participation or in lieu of being carried?

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. Should the applicant be allowed 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 the order provide that if a respondent elects to participate but fails to pay their proportionate share of the well costs, then the respondents election to participate should be treated as withdrawn and void and the respondents should be treated as deemed to have leased?

A. Yes.

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

A. Yes.

Q. In this particular case, the Board does not need to establish an escrow account, correct?

A. No, no escrow.

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

A. Appalachian Energy, Inc.

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

BILL HARRIS: Questions from members of the Board?  
(No audible response.)

BILL HARRIS: You may continue.

FRANK HENDERSON

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Henderson, what are your job responsibilities with Appalachian Energy?

A. President.

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

A. 1,345 feet.

Q. Estimated reserves for the unit?

A. 250 million.

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

A. Yes.

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

A. Yes, it does.

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

A. The dry hole costs of \$126,500 and the completed well cost was \$346,682.

Q. Do these cost anticipate a multiple completion?

A. Yes.

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

A. Yes, it does.

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

A. Yes.

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

BILL HARRIS: Questions from members of the Board?

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

BILL HARRIS: Let me ask a question about the plat there. I noticed that this is located very close to that border. Would you just address that? The Board on the left...I'm sorry, on the right.

FRANK HENDERSON: Yes, actually, we filed the permit and a location exception with Mr. Wilson. In this particular area here, the...due to the population along the road and the river there and the topography that's about the only place we could fit the location in.

JIM KAISER: So, you're seeking a location exception for this well through the permit process---?

FRANK HENDERSON: That's correct.

JIM KAISER: ---as is allowed by the Board order?

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes, Mr. Wilson.

BOB WILSON: The Board order does allow the DGO Director to for cause shown give location exceptions to drill outside the window. This one actually, Mr. Henderson reviewed with us prior to submitting because there's a reason why all of those buildings that you see are clustered together there. The mountainsides go up just amazingly steep on both sides of those areas of habitation. The location as shown is probably, as he said, the only that can be drilled there and that unit would be lost to the royalty owners if it were not allowed to be drilled there. So, just for your information.

BILL HARRIS: Okay. Thank you.

(Sharon Pigeon confers with Bill Harris.)

BILL HARRIS: There is a question also about the acreage there. It's 80.13 is there. That's down at the bottom of that plat.

SHARON PIGEON: Is that one at the edge---?

BILL HARRIS: Is that one on the---?

JIM KAISER: It's a little bit bigger than the normal 80 acres.

BILL HARRIS: Yeah. On the border or is that...I'm not sure where this is in relation to the field.

FRANK HENDERSON: This is...it's not in...it's not a makeup unit. It's not on the edge. It says area of unit approximately 80.13. We would have to check with our surveyor to tell you for sure on that.

JIM KAISER: Yeah, if that's...just some of typographical error or whatever, we can refile the plat as an 80 acre unit assuming that's correct. But that would be something that we would need to check.

BRUCE PRATHER: That would be you, wouldn't it?

JIM KAISER: Is that addressed in the permit?

BOB WILSON: I have...I have no clue.

FRANK HENDERSON: That's addressed in the permit.

BILL HARRIS: Oh, okay. So, that is addressed then. Is that normally determined from the coordinates? I mean, do they do that on the drafting table or is that---?

JIM KAISER: No, that's determined by the field rule. Oakwood is 80 acre spacing.

BILL HARRIS: I mean, well...yes, I'm sorry. But in terms of this actual plat, I'm wondering...yeah, it should be the field rules.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes.

BOB WILSON: I'm not going to speak for anybody. But I would assume probably the acreage inside these units

is probably calculated by computer according to the point of coordinates.

BILL HARRIS: Plus or minus kind of.

BOB WILSON: And that was probably where the surveyor got that particular number. .13 acres would be an insignificant tolerance there.

JIM KAISER: Is there a 10% tolerance in the Oakwood?

BOB WILSON: No.

JIM KAISER: No?

BOB WILSON: In Nora, there's a 15% tolerance. But Oakwood was laid out in square units, which did not...again, getting back to the problem we had earlier, did not contemplate the conversions of longitude and latitude or longitude lines and this sort of thing. So, that's part of the problem as well, which didn't even bother to get into this morning.

BILL HARRIS: Okay. So, do we need to address that further then or are you satisfied that---?

BOB WILSON: I have no questions.

BILL HARRIS: Okay. Okay. Fine. Any other questions?

MARY QUILLEN: Mr. Chairman.

BILL HARRIS: Yes, Ms. Quillen.

MARY QUILLEN: Mr. Henderson, this is considered an 80 acre unit?

FRANK HENDERSON: Yes, ma'am.

MARY QUILLEN: Thanks. That's all I have.

BILL HARRIS: Thank you. Further questions?

(No audible response.)

BILL HARRIS: Was there anything further?

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

BILL HARRIS: Okay. Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. It's approved. The next item is a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-153(J-35), Garden District, Buchanan County, Virginia, docket number VGOB-08-0219-2147. We'd like to ask all persons who wish to speak to this please come forward.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser, Justin Phillips and Frank Henderson for Appalachian Energy. And, again, you'll see Ms. Quillen has started passing around a set of revised exhibits and it's basically the same revisions that you saw in the matter that we just heard.

BILL HARRIS: Okay. By the way, the record would show there are no others.

JUSTIN PHILLIPS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in AEI unit J-35 for well number AE-153?

A. Yes.

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

A. Yes.

Q. Prior to the filing of the application, were efforts made to contact each of the respondents and an

attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. And in accordance with the revised exhibits, what is the percentage of both the gas estate and coal estate that's under lease to Appalachian Energy at this time?

A. 80.25 the gas and 80.25 of the coal.

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

A. Yes.

Q. So, that means at this point that 19.75% of both the gas estate and the coal estate remains unleased?

A. Yes.

Q. And, again, I don't think we have any unknown or unlocateables do we?

A. No, we don't.

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

A. Yes.

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

A. Yes.

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

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

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

A. Yes.

JIM KAISER: Now, Mr. Chairman, at this time, I would ask that we incorporate the testimony that was just taken in docket number 2146 regarding the statutory election options afforded the unleased parties and the ramifications thereof.

BILL HARRIS: That will be incorporated.

Q. Mr. Phillips, again, the Board in this particular case does not need to establish an escrow account, correct?

A. No, that's correct.

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

A. Appalachian Energy, Inc.

JIM KAISER: Nothing further of this witness, Mr.

Chairman.

BILL HARRIS: Questions from members of the Board?

(No audible response.)

BILL HARRIS: Okay. You may continue.

FRANK HENDERSON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Henderson, what's the total depth of this proposed well?

A. This proposed well is 1,350 feet.

Q. And the estimated reserves for the unit?

A. 250 million.

Q. And, again, it appears that this location is just outside the interior window. Have you or will you seek a location exception in the permitting process?

A. Yes. We've already discussed this with Mr. Wilson. The location is just outside the window due to a request of the surface owner and the related topography in that particular area.

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

A. Yes.

Q. In your opinion, does it represent a

reasonable estimate of well costs?

A. Yes.

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

A. Dry hole costs \$131,630 and completed well costs \$356,669.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes, they do.

Q. In your opinion, would the granting of this application be in the best interest of protecting correlative rights and maximizing the recovery of the gas underlying the unit and preventing waste?

A. Yes.

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

BILL HARRIS: Questions from Board members?

(No audible response.)

BILL HARRIS: Okay. You may continue.

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

BILL HARRIS: It has been brought to my attention again, this acreage...actually it's a little different, 80.19. So, I presume this is a computer generated area from the coordinates there.

FRANK HENDERSON: That's correct. We will check with our surveyors and let Mr. Wilson know if there's any change.

BILL HARRIS: Okay. Mr. Wilson, are you comfortable with that---?

BOB WILSON: Yes, sir.

BILL HARRIS: ---margin of---?

BOB WILSON: Yes, sir.

BILL HARRIS: Okay. So, we'll entertain a motion then for the project.

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

BILL HARRIS: Yes. Question, Ms. Quillen.

MARY QUILLEN: This is another one of those 80 acre Oakwood, right?

FRANK HENDERSON: Yes, ma'am. This is actually one unit to the east of the previous well.

BILL HARRIS: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. That's approved. The next item is a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-154(I-36), Garden District, Buchanan County, Virginia, docket number VGOB-08-0219-2148. We'd ask all parties who wish to speak to this proposal please come forward.

JIM KAISER: Again, Mr. Chairman, Jim Kaiser, Justin Phillips and Frank Henderson.

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

JUSTIN PHILLIPS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Phillips, your responsibilities do include the land involved in this unit?

A. Yes.

Q. And is Appalachian Energy own drilling

rights in the unit involved here?

A. Yes, we do.

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

A. Yes.

Q. And as of today at the hearing, the percentage of both the gas estate that's under lease and the coal estate that's under lease?

A. 91.81 of gas and 87.14 of coal.

Q. So, 91.81 gas and 87.14 coal, right?

A. Yes.

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

A. Yes.

Q. And you're familiar with the ownership of the unleased parties within the unit?

A. Yes.

Q. And so an 8.19% of the gas estate remains unleased?

A. Yes.

Q. And 12.86% of the coal estate remains unleased?

A. Yes.

Q. And the difference there is due to the Edith Street interest in Tract 1?

A. That's correct.

Q. And we don't have...again, we don't have any unknown or unlocateables, do we?

A. No, we do not.

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

A. Yes.

Q. Again, could you state the fair market value of drilling rights in the unit here and in the surrounding area?

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

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

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask that we incorporate the testimony taken in Board number 2146 earlier this morning regarding the statutory election options afforded any unleased parties.

BILL HARRIS: Yes. They will be incorporated.

JIM KAISER: Thank you.

Q. Mr. Phillips, again, the Board does not need...no, wait a minute. This one we do, don't we?

A. I thought we did that one in-house.

Q. Okay. That's an in-house this time. So, the Board does not need to establish an escrow account?

A. No.

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

A. Appalachian Energy, Inc.

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

BILL HARRIS: Questions from members of the Board?

(No audible response.)

BILL HARRIS: You may continue.

FRANK HENDERSON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Henderson, this time the well is within the interior window and, again, we're coming up with our third different acreage here. It's 80.13, right?

A. That's correct. And, again, we will check with the surveyors to...I'd say it was a computer generated.

Q. Yeah. Because we've done numerous of these pooling applications in the past and haven't had this come up, correct?

A. That's correct.

Q. They're using some sort of new program or something. What are the estimated reserves for this unit?

A. 250 million.

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

A. Yes. The well depth is 1,355 feet.

Q. I'm sorry, the well depth is 1355?

A. Yes.

Q. And in your opinion does the AFE represent a reasonable estimate of the well costs?

A. Yes, it does.

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

A. The dry hole costs \$125,760. The completed well costs are \$349,257.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. And is this an 80 acre Oakwood One unit?

A. Yes, it is.

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

BILL HARRIS: Questions from members of the Board?

(No audible response.)

BILL HARRIS: Anything further?

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

BILL HARRIS: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. The item passed. Thank you, gentlemen. Our next item is a petition from Equitable Production Company for pooling of coalbed methane unit VC-505189, Hurricane District, Buchanan County, Virginia. The docket number is VGOB-08-0219-2149. We'd like to ask that all parties wishing to speak to this item to please come forward.

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

(Don Hall is duly sworn.)

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

DON HALL

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

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

Q. And you're familiar with the application

that we filed seeking to pool any unleased interest within the unit for VC-505189?

A. Yes.

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

A. We do.

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

A. Yes.

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

A. We have 99.33875% leased.

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

A. It's the same.

Q. 99.338750?

A. Yes.

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

A. They are.

Q. So, the percentage of both the gas and coal estate that remain unleased is 0.661250?

A. That's correct.

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

A. No.

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

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

A. Yes.

JIM KAISER: Mr. Chairman, at this time, I'd like to incorporate the testimony taken in item 2146 earlier this morning regarding any unleased respondents' statutory election options.

BILL HARRIS: That was done by Mr. Phillips. Do you agree to those?

DON HALL: Yes.

BILL HARRIS: Okay. So, we'll incorporate that then.

JIM KAISER: Thank you.

Q. The Board does not need to establish an escrow account in this case, is that correct?

A. That's correct.

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

A. Equitable Production Company.

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

A. It's 2105 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. It does.

Q. Could you state the well costs for this

well?

A. The dry hole costs is \$142,371 and completed well costs is \$302,469.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

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

BILL HARRIS: Questions from members of the Board?  
(No audible response.)

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

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion for approval.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. That item passed. It has been approved. The next item is a petition from Equitable Production Company for pooling of coalbed methane unit VC-536865, Kennedy District, Dickenson County, Virginia. The docket number there is VGOB-08-0219-2150. We'd ask all parties who wish to speak to this item please come forward.

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

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. They do.

Q. Are you familiar with the application that

we filed seeking to pool any unleased interest within the unit for VC-536865?

A. Yes.

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

A. We do.

Q. Prior to the filing of the force pooling application, was an effort made to contact each of the respondents in order to work out a voluntary lease agreement?

A. Yes.

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

A. We have 46.42% leased in the gas estate.

Q. And in the coal estate?

A. A 100%.

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

A. Yes.

Q. So, 53.58% of the gas estate remains unleased?

A. That's correct.

Q. And, again, we don't have any unknown and unlocateables within the unit, right?

A. That's correct.

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

A. Yes.

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

A. Yes.

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

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

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

A. They do.

JIM KAISER: Now, Mr. Chairman, with Mr. Hall's approval, I'd like to again incorporate the testimony taken previously in 2146 regarding the statutory election options afforded any unleased respondents.

BILL HARRIS: Mr. Hall, would you agree to that?

DON HALL: Yes.

BILL HARRIS: That will be incorporated.

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

A. Yes.

Q. And that would cover proceeds from which tracts?

A. 1, 2, 3, 5, 6, 7 and 8.

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

A. Equitable Production Company.

Q. Okay. We also have an Exhibit EE that's attached to the application and that represents a royalty split agreement, is that correct?

A. That's correct. The agreement, I think, is attached to the application.

Q. Okay. And that's between who?

A. Between Delmer and Mary Mays and Standard Banner Coal Company.

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

A. It's 2199 feet.

Q. Estimated reserves for the unit?

A. 330 million cubic feet.

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

A. It has.

Q. In your opinion, does it represent 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 costs is \$170,352 and the completed well costs is \$400,855.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BILL HARRIS: Questions from Board members.

KATIE DYE: Mr. Chairman.

BILL HARRIS: Yes, Ms. Dye.

KATIE DYE: Mr. Hall, could you explain why you have two addresses in Tract 5? It's probably just a typographical error. You have Nora, Virginia and Abingdon, Virginia.

DON HALL: It should be Nora, Virginia. That is a typo.

BILL HARRIS: That's on Exhibit B, page one of two. So, the Abingdon should be scratched, is that what you're saying?

DON HALL: Yes.

BILL HARRIS: Okay.

DON HALL: It's also in the other exhibits like that.

JIM KAISER: Yeah, it's on B-3 too as an unleased interest.

DON HALL: And it's on E---.

BILL HARRIS: E, yeah.

DON HALL: ---as well.

BILL HARRIS: Now, you have successfully gotten mail to and from these---?

JIM KAISER: Yeah.

DON HALL: Yes.

BILL HARRIS: I do have a question though. The very last page of our packet I can read the attorney's

label, but I can't read anything else. I'm not sure what this is or was.

DON HALL: Just the back side of the agreement.

BILL HARRIS: Okay. They're saying the back side.

JIM KAISER: Yeah, I think it's just sort of like the prepared by page of the agreement maybe.

BILL HARRIS: Okay. So, this would not contain information that is pertinent?

JIM KAISER: No, it just...I think it just contains the parties and then the law firm that prepared it.

BILL HARRIS: okay. But the actual content of the document, we do have that?

JIM KAISER: Right.

BILL HARRIS: Okay. Other questions?

(No audible response.)

BILL HARRIS: Mr. Wilson.

BOB WILSON: Mr. Chairman, if we can have them to provide us with corrected copies of the exhibits, please.

DON HALL: Okay.

BILL HARRIS: Is that due to the address---?

BOB WILSON: Yes.

BILL HARRIS: ---correction? Okay. And they've agreed to it.

BOB WILSON: We actually exchange these things by

email which we frequently do, which is the preferred method.

BILL HARRIS: Fine. Any further discussion?

(No audible response.)

BILL HARRIS: Do you have anything further?

JIM KAISER: We'd ask that the application be approved as submitted with the change to the one incorrect address.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Mr. Chairman---

BILL HARRIS: Yes, Ms. Quillen.

MARY QUILLEN: ---before make a motion. Could there be a possibility that they have both of those addresses? That they...or just one.

DON HALL: No.

JIM KAISER: No.

DON HALL: No, Mr. Jenkins, his correct address is Nora.

MARY QUILLEN: Oh, okay.

BILL HARRIS: Do you think this is just a cut and paste problem somewhere?

DON HALL: Yeah.

JIM KAISER: Yeah, it has slid in there and nobody has taken it out.

DON HALL: It wouldn't have...it wouldn't have

been that way on the actual address label though.

BILL HARRIS: Yeah, that's what I was asking you--

-.

JIM KAISER: No, it's not.

BILL HARRIS: ---if you were able to get mail to  
and from these people.

JIM KAISER: Yeah, we've forced pooled him on  
numerous occasions.

SHARON PIGEON: We're talking three exhibits here,  
B, B-3 and E.

DON HALL: Right.

BILL HARRIS: Does that satisfactory? Okay, do we  
have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: It has been approved. Okay, our  
next item is a petition from Equitable Production Company  
for pooling of coalbed methane unit VC-537924, Sandlick

District, Dickenson County, Virginia. The docket number is VGOB-08-0219-2151. We'd ask all parties that wish to speak to this petition to please come forward.

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

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

DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, your responsibilities with Equitable, obviously, include the land involved in this unit?

A. They do.

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

A. Yes.

Q. Does Equitable own drilling rights within this unit?

A. We do.

Q. Prior to the filing of the application, were efforts made to contact each of the respondents in the

unit and an attempt made to work out a voluntary lease agreement with each?

A. Yes.

Q. The interest under lease to Equitable of the gas estate?

A. Is a 100%.

Q. And the coal estate?

A. 82.98%.

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

A. They are.

Q. So, 17.02% of the coal estate remains unleased?

A. That's correct.

Q. Okay. In this particular unit, we do have an unknown?

A. Yes.

Q. The coal estate owners Tract 1, the Elizabeth Counts Heirs, what efforts did you undertake to try and located them?

A. The usual efforts.

Q. So, that would include Deed records, Probate records, Assessor's records, Treasurer's records and secondary sources such as telephone directories, city

directories, family and friends?

A. That's correct.

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

A. Yes.

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

A. Yes.

Q. Are you requesting this Board to force pool all unleased interest listed at 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 term with a one-eighth royalty.

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

A. They do.

JIM KAISER: Again, Mr. Chairman, with Mr. Hall's approval, I'd ask that the statutory election option testimony taken in number 2146 earlier today be incorporated for the purposes of this hearing.

BILL HARRIS: Mr. Hall, would you agree to that?

DON HALL: Yes.

BILL HARRIS: Fine. It will be incorporated.

JIM KAISER: Thank you.

Q. We do need...the Board does need to establish an escrow account for this unit, correct?

A. That's correct.

Q. And that will be for proceeds attributable to which tracts?

A. It will be Tract 1.

Q. Just Tract 1, right?

A. Yes.

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

A. Equitable Production Company.

Q. And the total depth of this proposed well?

A. It's 2504 feet.

Q. Okay. And that will be different than what's in the application. The application stated 2164.

So, that needs to be corrected to 2504?

A. That's correct. That is what it is on the prognosis sheet and what is on the AFE.

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

A. 200 million cubic feet.

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

A. It has.

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

A. Yes.

Q. What about the dry hole costs and completed well costs for this well?

A. The dry hole cost is a \$135,628 and the completed well cost is \$349,113.

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 opinion, would the granting of this application be in the best interest of conservation, the

prevention of waste and the protection of correlative rights?

A. Yes.

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

BILL HARRIS: Questions from members of the Board?

(No audible response.)

BILL HARRIS: Let me check on the distance. The correct amount then is the 2504 as opposed to the 2164?

DON HALL: That's correct.

BILL HARRIS: Yes, okay. Thank you.

SHARON PIGEON: Do you have a permit on this?

DON HALL: The permit was applied for January the 22nd. We haven't received it yet.

BRUCE PRATHER: The permit has got the 2504 down.

DON HALL: I'm sure it does.

BRUCE PRATHER: Okay.

DON HALL: Where I made the mistake in sending this information to him, I just realized...I put down the elevation instead of the total depth. I picked up the wrong number off the prog sheet.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes, Mr. Wilson.

BOB WILSON: I have another issue. I just wanted

to get clearer about the plats. Generally, the plats are coming from your side. You don't have the tract information totals on the plat itself. In my view, we either need that or we need a tract identification sheet to go with it because the only exhibits that are recorded with the order are Exhibits B-3 and Exhibits E.

JIM KAISER: Yeah, you're right. So, you need like a DGO 7 supplemental?

BOB WILSON: Actually, an Exhibit A, page two I believe it what is because it has the...it lists the tracts and shows who those numbers on the front...on the plat itself belong to.

DON HALL: Doesn't yours have that attached?

BOB WILSON: No.

JIM KAISER: Mine don't either.

DON HALL: It must have been omitted in the application. Here is what he's talking about.

JIM KAISER: I know what he's talking about, a DGO 7 is what I call it.

DON HALL: Yeah.

JIM KAISER: That's what it is. We can give that to him right now.

DON HALL: Yeah.

JIM KAISER: We'll give it to you right now.

BOB WILSON: Sure. Great. There is none in my  
packet.

JIM KAISER: There is one?

BOB WILSON: There is not.

JIM KAISER: There's not? There's no in mine  
either.

BILL HARRIS: Okay. Other questions?

(No audible response.)

BILL HARRIS: Do you have anything further?

JIM KAISER: We'd ask that the application be  
approved as submitted with the submission for the purposes  
of names and the DGO 7 supplemental page.

BILL HARRIS: Okay. Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: Okay. All in favor, say yes.

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

BILL HARRIS: Opposed, like sign.

KATIE DYE: I abstain.

BILL HARRIS: Mrs. Dye abstains. Thank you. That  
has been approved.

(Bill Harris confers with the Board.)

BILL HARRIS: Our next item is a petition from Range Resources-Pine Mountain, Inc. for establishment of a 320-acre conventional gas unit for drilling of horizontal wells, Ervington District, Dickenson County, Virginia. The docket number is VGOB-00-0219-2152. We'd ask for all parties wishing to speak to this to please come forward.

JIM KAISER: Mr. Chairman, it will be Jim Kaiser, Jerry Grantham and Phil Horn on behalf of Range Resources-Pine Mountain. We'd ask if you think it's prudent to call the next item too and then we'll just combine these two applications.

BILL HARRIS: Okay, we'll do that. The item in number nineteen. A petition from Range Resources-Pine Mountain, Inc. for establishment of a 320-acre conventional gas unit for drilling of horizontal wells Ervington and Hurricane Districts, Dickenson and Buchanan Counties, Virginia. The docket number is VGOB-09-0219-2153. Again, we'd like to ask all parties wishing to speak to this docket item please come forward.

JIM KAISER: Again, Mr. Chairman, it will Jim Kaiser, Jerry Grantham and Phil Horn.

(Jerry Grantham and Phil Horn are duly sworn.)

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Horn, let's start with docket number 2153.

A. 215...the second one.

Q. Well, wouldn't that be the first one?

SHARON PIGEON: 2152.

Q. I'm sorry. Start with 2152.

A. Okay.

Q. What we will call the Lambert Land, I guess, okay.

A. Okay.

Q. Does, I guess, Range, Pine and their partner Equitable Production Company have under lease and have control of all of the acreage within the 320-acre unit, is that correct?

A. That is correct.

Q. Okay. And as we show...is there a reason that this plat is different from the ones that we've been shown in the past?

(Jim Kaiser confers with Phil Horn.)

JERRY GRANTHAM: We'll do that a little later.

JIM KAISER: We're going to do that in your stuff?

JERRY GRANTHAM: Yeah, that will be in my  
testimony.

Q. All right. Then let's turn to 2153. Is  
all the acreage within that 320-acre as depicted here listed  
to and/or controlled by Range Resources-Pine Mountain?

A. That is also correct.

Q. Okay.

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

BILL HARRIS: Questions from members of the Board?  
(No audible response.)

BILL HARRIS: You may continue.

JIM KAISER: We'll now turn the testimony over to  
Mr. Grantham who has testified---. I guess this is probably  
what maybe? What number six and seven or seven and eight?

JERRY GRANTHAM: Seven and eight.

JIM KAISER: ---seven and eight of these units  
that we've formed. I think he maybe has a little additional  
twist to some of his past presentation, but we'll just let  
him go through it with you again.

JERRY GRANTHAM: Okay. Exhibit...most of the  
exhibits that I am going to show you today are ones that

you've seen before because we're doing pretty much exactly the same thing that we've requested from the Board before as far as approval for a horizontal drilling unit. Exhibit C is just a diagram showing what that unit would look like, 320-acres, with the dimensions of the unit. It is a square unit. Then, it's showing a window, which is a area or actually it's a window frame of 300 feet on the exterior boundary of that unit. If we go to Exhibit D, it talks about the specifics of what that unit would entail. Again, it's 320-acre unit square. The maximum diagonal is 5280 and that's from corner to corner of the unit. We are proposing a 300 foot window with a 600 foot standoff from adjacent horizontal grids...grid well bores. In this proposal, we're proposing that there be a 600 foot distance between any horizontal well bore and any vertical well bore that are producing out of the same formations. So, in other words, we can't get closer to 600 units from a vertical well bore. We're also proposing that the application be applied to produce from multiple conventional horizons. Early on, we're really...Pine Mountain is really focusing on the Huron Shale. Although, I think later in the year, we have plans to look at some of the other conventional reservoirs that horizontal candidates. Finally, we ask the surface location be allowed to be drilled in the window pane. In the 300

foot window pane, I guess I call it, or even exterior to the unit. The reason for that, we've discussed before in some of the previous hearings, is that in the design of a horizontal, and again I guess we could flip...if we flip G in the design of a horizontal it takes a certain distance to go from vertical to horizontal. For us, at least the way we've done these in the past, that's about 600. So, instead of making that 600 foot turn within the unit and using up that 600 feet, we'd like to be able to back out into the window pane or even outside of the unit and make the turn in that area, but then only have production coming from the interior window. Exhibit E just shows, again, sort of the concept as it was originally developed where because these are laterals, obviously, a 112 acre unit, which is a standard conventional unit it probably doesn't make sense. We're just couldn't drill long enough. Typically, we think we can drill or have drilled about 3,000 feet. We think in reality we can probably do much more than, 4,000 and maybe even 4500. We don't know. As technology changes and as things we learn, we go through a learning curve, you know, that efficiency and how far out we can get will change. But, the original concept of the 320-acre unit was sort of looking at three vertical wells and approximately what did that equate to. So, that was where the concept came from.

Exhibit F just is a schematic that basically shows that, you know, at some point we think that we could have multiple horizontals in different conventional reservoirs, but producing effectively from the surface location. Other producers not in Virginia, but in surrounding states, have drilled these wells within 20 or maybe 30 feet of each other. So, effectively, it's almost like one well bore. Then this is our typical horizontal plan. None of the requirements as far as setting our fresh water stream or coal stream. Those are all the same as they are with a vertical well. All of our horizontal work is done below the coals. Nothing is changed as far as the coals are concerned. We're only asking that the conventional reservoirs be approved for this horizontal unit. But then again here...the design is basically we drill down, we set our fresh water stream and we set our coal stream and then we drill down and we make the turn and then we drill laterally. This diagram shows 3,000 feet. That could be 4,000 feet hopefully. We think...we don't know, but we think the longer the lateral probably the more production potential but we don't know that yet.

Now, this next exhibit is a little different. What we did was we named...we have two Exhibit Hs here if you look at them, but we tied it back to the Board hearing

number. So, the first one, which is the 50...excuse me, 2152 is tied to the Lambert exhibit. What we were asked in the last hearing was to show a map that showed what the acreage, I guess our acreage position was, within a 1250 foot distance of the interior window. That would be a 950 foot distance outside of the exterior window. But, we were asked to do that. So, what we've done here is shown that. The yellow represents acreage that Range Resources-Pine Mountain, Inc. owns or controls in this unit. So, we effectively own or control a 100% of the acreage in the unit and a 100% of the acreage within that area around the unit.

Exhibit H is...the next Exhibit H, which is tied to your docket number 2153, is the same type of map showing not only our acreage in the unit, what own or control, which, of course, is the same that's on the plat, but then it also shows that 1250 feet area, which is outside of the interior window. Here, again, we own or control all of the acreage within that area. Then, finally, you know, what are the benefits of the horizontal drilling. They're really numerous. I mean, I think first and foremost is the fact that what we've seen in other states and what we've seen with our initial well is that hopefully it's going to benefit certainly the working interest owners ourselves, royalty owners in the state by maximizing the production and

hopefully getting it out of the ground in a quicker manner. It promotes conservation of the gas resource. It prevents waste by more effectively, in our opinion, extracting the gas from that area. We think it has a benefit in that you can drill under areas that probably could not be drilled for other reasons, towns...surface limitations, towns, creeks, steep terrain and things along that nature. We think that it probably has a less impact on coal because there again the previous exhibit that I showed, you know, we can put multiple laterals maybe by using one surface location. We are going to test that concept this year. I think I showed you an exhibit last time where we had roughly the same surface location and we've drilled two different units going either way. So, we are going to test that concept. Certainly less potential surface disturbance if we can lump all of these well bores, the pipelines and the infrastructure into one area. We're probably building less roads. We're laying less pipe. We're doing things that are less impact full on the surface. Then, you know, at the end of the day these square units don't have the stranded acreage that seen with some of the circular units.

BILL HARRIS: Questions from members of the Board?

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

BILL HARRIS: Yes, Mr. Prather.

BRUCE PRATHER: Jerry, on your, I guess, Exhibit C here, you have a lateral length that's going 5280 feet, but on our Exhibit G, you have it going out 3,000 feet. Is the 5280, is that what you would consider your optimum depth? In other words, you would put the location off the corner of this thing and then it would go 5280. But to-date, have you ever gotten the 5280?

JERRY GRANTHAM: Well, to-date we've drilled one horizontal well in Virginia. We achieved approximately 3,000 feet.

BRUCE PRATHER: Okay.

JERRY GRANTHAM: The Exhibit C is just demonstrating what the dimensions of the unit are and not necessarily what we think we can achieve.

BRUCE PRATHER: Okay.

JERRY GRANTHAM: That distance is 5280 or a mile.

BRUCE PRATHER: Yeah.

JERRY GRANTHAM: Do we think we can achieve more than 3,000 feet? Yes.

BRUCE PRATHER: Okay.

JERRY GRANTHAM: Has it been done in other areas? Absolutely.

BRUCE PRATHER: Yeah.

JERRY GRANTHAM: You know, we came out of the

gate. There's always a learning curve for, you know, when you try something the first time. We hope that we can achieve more than that and I think we can. As we drill these additional wells, I think we will be more and more successful in achieving more length.

BRUCE PRATHER: Okay. Thank you.

BILL HARRIS: Any other questions?

BOB WILSON: Mr. Chairman. Excuse me.

BILL HARRIS: Yes.

BRUCE PRATHER: Go ahead.

BOB WILSON: Are you done? Go ahead.

BRUCE PRATHER: Have you ever given any thought to doing the Cleveland? In other words, you've got the Raven Cliff, the Berea and the Lower Huron Shale. Over there in the Nora area, they've always had gas shales in there below the Berea and the Cleveland. Have you guys given any thought to---?

JERRY GRANTHAM: Yes.

BRUCE PRATHER: ---getting the Cleveland---?

JERRY GRANTHAM: Yes.

BRUCE PRATHER: ---or the Berea?

JERRY GRANTHAM: Yes. Absolutely.

BRUCE PRATHER: Okay.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Mr. Wilson, yes.

BOB WILSON: I know that your diagrams here are strictly schematic, but do you have sufficient room between the Berea and the Lower Huron to run casing through the Berea and seal it off should that prove to be a desirable or necessary end?

JERRY GRANTHAM: Yes. In other words, if I restate the question, to build the curve below the Berea do we have enough room to build that curve into the Huron?

BOB WILSON: Yes. Do you have enough separation between the Berea and the Lower Huron?

JERRY GRANTHAM: Yes, we do. Yes, we can---.

BOB WILSON: Okay.

JERRY GRANTHAM: ---do that. And...yes.

BOB WILSON: Okay, the second question, well, I realize that you've only drilled one horizontal well in Virginia so far, but you do have quite a number of units already approved. When do you anticipate that you're going to be able to come back and give the Board some information as to how these things are working out and kind of aim toward the universal field rules or abandonment of the of the idea?

JERRY GRANTHAM: You know, we've given, obviously without getting into details of production, we have drilled

one well. It has been on production since the first of December. The rates that we have seen on that well, we have been pleased enough with to say that we want to move forward with the process. Our goal is to drill sufficient wells hopefully this year in 2008 to test our 250,000 acre property. By that I mean, both geographically distributed across the property and maybe in some instances even targeting other horizons. How many wells that is, you know, to adequately test the property to say I move forward or I don't move forward I think is a little premature to say because usually what happens is instead of black and white it comes back grey or something along those lines. But I would see us hopefully drilling this year between ten and fifteen horizontal wells. That's our goal. At that point, would we have enough information to come back before the Board and say it's time for field rules, to sit here today and say yes or no I don't know that I can do that. I would like to think that we...with those wells we would have gotten a good idea whether the concept is going to work on our property in Virginia or not. So, you know, at that point I think we're certainly a lot of closer to saying, okay, it's going to work on our Nora property. Now, outside of Nora and field rules that affect all of Virginia, you know, I don't know what other operators have planned for

this year and where they feel like we're at the point that the field rules would apply.

BOB WILSON: Yeah, I certainly wasn't asking for, you know, the definitive date or anything of the sort. I think it would be appropriate for the Board and I think they would agree that we're kind of working in an grey area over here on this side of the table already. We need as much feedback and information as we can get. We don't want to have to go looking for it.

JERRY GRANTHAM: Right.

BOB WILSON: I think we probably going to get a bit of feedback next from another project. I guess my objective is to encourage you guys that when you've got any technical information anything that could be shared with the Division and this side of the table it needs to come back without us having to at some time in the future say, all right, we're not giving you any more of these until we find out something from them.

JERRY GRANTHAM: And if that's production data on the well...I mean, you know, if that's the type of information, you know, we could probably bring that in. Though, at the end of day, I mean, the economics of a well are based on what our costs are and what we ultimately think the well is going to do.

BOB WILSON: Yes. The economics are your internal decisions.

JERRY GRANTHAM: Okay.

BOB WILSON: The technical aspects and the... whether or not these wells are affecting other wells in the areas and things of that sort are what's being wrestled with over here. I'm...I'm...basically, what I'm getting at is the technical information is what I think is needed here more than whether or not you think you're going to make money on it.

JERRY GRANTHAM: I understand.

BILL HARRIS: Well, in that same line, I guess, I don't know and I'm sure that there's probably some way to compare this to other wells. I mean, how...you don't do it production per foot. How would you...is that still to be seen? How would you decide that this appropriate to do?

JERRY GRANTHAM: We...I mean, we have economics that we run and a very basic way of looking at economics is, and this is very sort of back at the envelope, but it's called finding costs. In other words, how much does it cost to find a certain amount of reservoirs? So, you know, we can look at that. The problem that we have that this point is we don't know what our reserves are because we've only got three months, not even three months...two and a half

months of production. Typically, most or all conventional wells in Virginia show a very steep decline on the front end and then...I can bring a curve in the next time, next month. I'll bring one in to show you. But...I mean, I will tell the Board, you know, our well...our horizontal well came in line at a million a cubic feet a day. That is a good rate. Now, it dropped off very quickly, which we expected. We actually anticipated that. We didn't think it would stay up there. We would have liked it to, but we thought it wouldn't. What we see is that it drops off over time, but that drop percentage wise decreases everyday. So, that's called flattening out. Wells... conventional wells do that. I mean, virtually all conventional wells in our area do that. The real question in determining what the reserves are in that well is where does it flatten out and at what rate? Then, once you know it's on a terminal...what's called a terminal decline, at that point it's very predictable. We're in the unpredictable part of our curve. So, I can't tell you that's a bcf well. I would love to be able to tell you it is and we're encouraged by what we see, but at this point I just...I haven't told our guys and I couldn't tell you that. That's sort of some of the...I guess, the...you know, the early data is a lot harder to interpret versus having a year of data or, you know, five years of data,

which, you know, we have conventional wells that have twenty years of data.

BILL HARRIS: Thank you.

MARY QUILLEN: Mr. Chairman.

BILL HARRIS: Yes, Ms. Quillen.

MARY QUILLEN: Mr. Wilson, just a question. I was not on the Board when these wells began...companies began drilling these wells. How did you collect data from, for instances, vertical wells and CBM wells?

BOB WILSON: Actually, you were on the Board when the first one came through.

BILL HARRIS: Yeah, I was thinking you were---.

BOB WILSON: These are the first ones that have been done in Virginia. The ones that have been done since---.

MARY QUILLEN: The horizontal wells, yes.

BOB WILSON: Yes.

MARY QUILLEN: I'm talking about the vertical... vertical conventional wells.

BOB WILSON: Okay, I'm sorry, I don't understand the question.

MARY QUILLEN: How did you collect the data on these earlier wells? What did you use to---?

BOB WILSON: Oh, do you mean back in day one of

the Board?

MARY QUILLEN: Yeah, when you began collecting that data.

BOB WILSON: I'd have to say that I wasn't here when that happened.

(Laughs.)

BOB WILSON: Basically, the conventional wells is what we're dealing with here, were all drilled under statewide spacing. It was mandated by statute. These are the things that we get the exceptions to, of course.

MARY QUILLEN: Uh-huh.

BOB WILSON: So, there were no issues because at that time nobody was pressing for field rules. I think if I had been sitting back here then I probably would have because I hate those circles. But, anyway, that notwithstanding, basically it was a matter of the companies drilling where they had secure acreage blocks. As you can see from some of the location exceptions that we get, they weren't even spaced equally then.

MARY QUILLEN: Right.

BOB WILSON: They left a lot of space in between, which is what they're trying to correct now with the spacing exceptions and such. So, that was about the only thing that we did. We make sure that they were drilled within the

confines of statutory statewide spacing. There were not...there was no data collected because there were no field rules laid down for those.

BILL HARRIS: Yeah, also with that answer if I might add, I think at the time...of course no one...you could guess what the production might be, but in terms of actual production, we couldn't say, okay, there's an average production from these wells so we would expect that whenever someone came to drill.

MARY QUILLEN: Well, that's what I'm saying.

BILL HARRIS: So, this is all new territory then and it's---

MARY QUILLEN: Just like this now. That's what I'm saying. How do...how can prepare that and you know---?

BILL HARRIS: Well, that's what I'm saying. I don't know how you...unless it's economically.

JIM KAISER: It has changed several times.

BRUCE PRATHER: I can explain some of it. The state does have the records from 1992 until the present on every well drilled. They've got the production...well, they've got the working interest and sometimes they've got the money that the well made in here. From '92 through probably 2000 you can pick up every well that was drilled in the State of Virginia. It has got the amount of mcf

produced per year plus the income.

MARY QUILLEN: So, there is data?

BRUCE PRATHER: There is data. Oh, yeah.

JIM KAISER: Yeah, there's production reporting requirements.

MARY QUILLEN: Right.

BRUCE PRATHER: Yeah.

MARY QUILLEN: Okay. So, looking at those...when you said there was no real urgency about field rules and you're seeing now that what eventually was put in place is not the best. So, what you're trying to do now is to avoid that with this new method of drilling so that you won't be addressing those circles that---

BOB WILSON: Exactly. We're hoping...yes.

MARY QUILLEN: And you're not going to be losing in having stranded---

BOB WILSON: Exactly. That's 100%...you just explained it very nicely.

MARY QUILLEN: Thank you.

BRUCE PRATHER: I think another problem that we've got is correlative rights.

MARY QUILLEN: Uh-huh.

BRUCE PRATHER: In other words, these new horizontal wells, how do they affect adjacent wells?

MARY QUILLEN: Right.

BRUCE PRATHER: And so, you know, that's one of the problems that we've got until we find out exactly how far those frac jobs go out, then, you know, we maybe not helping ourselves very much. So, you know, the more they do it the more information that we'll finally end up with.

MARY QUILLEN: But we know more now than we did when this first began. So, we kind of know---

BRUCE PRATHER: Oh, absolutely.

MARY QUILLEN: ---what to look for and how to plan for this so that you're not going to have as many of the concerns. Is that right?

BOB WILSON: Yes.

MARY QUILLEN: Okay, thank you.

BILL HARRIS: Did we answer the question? I guess, we...what was the question? Okay, do we have any...okay, I guess you can continue then. I guess there are no other questions about that.

JIM KAISER: We'd ask that the applications in both instances be approved as submitted, Mr. Chairman.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve both item eighteen and item nineteen.

BRUCE PRATHER: Second.

BILL HARRIS: Okay, 2152 and 2153. Any further discussion?

MARY QUILLEN: Correct.

BILL HARRIS: I'm sorry?

MARY QUILLEN: I said correct.

BILL HARRIS: Oh, yes, okay. You were just---

MARY QUILLEN: You said 2152 and 2153.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. It's approved. Let's take a break for like ten or so and we'll reconvene.

(Break.)

BILL HARRIS: The next item is a petition from Equitable Production for modification of the Nora Coalbed Gas Field to allow for drilling of an additional well in unit BU-57, Ervington District, Dickenson County, Virginia. The docket number is 89-0126-0009-20. We would ask all parties wishing to speak to this petition to please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser, Rita

Barrett and Gary Baxter on behalf of Equitable Production Company. We'd ask that they be sworn at this time.

(Rita Barrett and Gary Baxter are duly sworn.)

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

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

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, in this particular unit, does Equitable all of the acreage within the unit under lease or under control?

A. Yes, we do.

Q. And does the Board have a copy of this?

A. Yes, they do.

Q. And in accordance with the well location plat that the Board has with them, you can see that the original...the first well in this unit, BU-57, that being VC-504275, you can see the location of that within the interior window and then the increased density well that

you're requesting here today is VCI-539809 and it is also in...within the interior window, correct?

A. That's correct.

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

BILL HARRIS: Questions from members of the Board?  
(No audible response.)

BILL HARRIS: You may continue.

GARY BAXTER

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Baxter, if you would go ahead and, again, state your name for the record, who you're employed and what your responsibilities are with Equitable?

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

Q. And you've testified for the last...at our last several hearings where we've requested increased density wells, correct?

A. Yes.

Q. And if you would present testimony for the

Board now as to why we want to drill this additional well within this unit?

A. Okay. I'm going to first start off the... since we already have an Exhibit A and B, the first page will be C and then D, E, F---

BILL HARRIS: This is of your handout?

A. Of the handout.

Q. Yes.

BILL HARRIS: So, that Exhibit A needs to be---?

A. Exhibit C.

BILL HARRIS: ---C?

A. Yes.

BILL HARRIS: Okay. And then keep going after that D?

A. And then it would be D, E---

BILL HARRIS: Yeah, should we have the E...okay, yeah. I guess we're okay with the...yes, okay. So, E for the---?

A. The Middle Fork CBM production plot.

BILL HARRIS: ---the sixteen units? Okay, that would be E.

JIM KAISER: Yeah, we're just going to row from C forward.

A. Right.

BILL HARRIS: Yes, okay. I just wanted to make sure it wasn't conflicting with other exhibits. G...so, the final one is G, I'm I correct?

A. That's correct.

BILL HARRIS: Okay, thank you. Go ahead.

SHARON PIGEON: As a suggestion---

BILL HARRIS: Oh, yes.

SHARON PIGEON: ---in the future on these handing to us at the time if you would put double letters on those, then none of them won't conflict because we do use As, Bs and Cs on the other thing as the form orders---

JIM KAISER: It would make it easier, wouldn't it?

SHARON PIGEON: It will just be clearer for us.

BILL HARRIS: Should we do that now?

SHARON PIGEON: Well, we've just done this on the record, so it isn't important now.

JIM KAISER: We can go back on the record and change it if you want to.

SHARON PIGEON: Well, I don't think it's necessary.

JIM KAISER: Okay.

SHARON PIGEON: But for future if you would just use double letters then we won't have that problem come up.

BILL HARRIS: Okay. Thank you.

GARY BAXTER: I'm going to...I'll first start with Exhibit C. This is a map depicting the unit that we're asking for the second well to be drilled, BU-57. Exhibit D is a map showing the areas that we've already asked for the second well. Today this BU-57 is located in what area we call Lambert Land & Green. Exhibit E is production plot in the Middle Fork area showing sixteen units, the first and second wells production. The green production plot is the first well only and then the red production is the first well plus the second well. Exhibit F is showing the Lick Creek CBM infill area, which includes eleven units. This is showing again the first and second wells production. The green line is the first well and the red line is the first well plus the second well drilled in the unit.

BILL HARRIS: Excuse me, just one question. These are cumulative...these are not cumulative, these are totals for those wells and not one particular well---?

GARY BAXTER: That's correct. Yeah.

BILL HARRIS: ---but total? Okay, thank you.

A. Exhibit G is...for this area that we've... the BU-57 is located the Lambert E. Land EUR calculation. The average first wells EUR in the unit is 288 mmcf per well. The percentage of the first well attributable to the second well is 65%. It makes the second wells EUR a 187

mmcf and the total unit EUR of 475 mmcf per the sixty acre unit.

Q. So, based upon these numbers and what you've seen with the increased density wells that you've drilled to date, this the additional production is obviously great enough to make this something that you all are pleased with and will continue to attempt to do in the future?

A. That is correct.

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

BILL HARRIS: Just one question. The 65% is that...I think we've seen that before.

GARY BAXTER: Right.

BILL HARRIS: Is that from your results that's there and it just happens to be 65% in both cases or is there a formula that you use to say that---?

GARY BAXTER: That's a fieldwide average that we've been using---.

BILL HARRIS: Okay.

GARY BAXTER: ---for each one of these cases.

BILL HARRIS: When you have the increased density wells?

GARY BAXTER: Yes.

BILL HARRIS: Okay, thank you. Questions from

members of the Board?

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

BILL HARRIS: Yes, Mr. Prather.

BRUCE PRATHER: I realize, you know, that this internal within it...within your acreage, but do you think there's a possibility if you drill these things 600 foot apart you might get interference on your frac jobs? Have you ever done it?

GARY BAXTER: No.

BRUCE PRATHER: That's pretty close.

GARY BAXTER: I don't know.

BILL HARRIS: Do we know how close the other wells...because some have already been granted and I guess are operational? Do we know what those distances---?

BRUCE PRATHER: No.

BOB WILSON: Mr. Chairman.

BILL HARRIS: Yes, Mr. Wilson.

BOB WILSON: All of the previous units that the Board has approved for multiple wells is at a 600 foot minimum distance. So, it has been an allowable distance. There have been other cases I think probably in other fields where they have been drilled very close to that 600 feet. Now, as to whether or not there was any interference experienced or not, I don't know. 600 feet is the number

that the Board---.

BRUCE PRATHER: I mean, as long as they want to take the risk that's fine.

JIM KAISER: Yeah, it's their money.

BRUCE PRATHER: It's their money.

RITA BARRETT: And currently we are trying to locate these greater than 610 or 620 in some cases.

BILL HARRIS: Yeah, yeah.

RITA BARRETT: We know that 600 is close.

BRUCE PRATHER: I mean, it's close.

BILL HARRIS: Is there a way that you would know though if you were doing that? I mean, how would...what would be the tell tell sign?

BRUCE PRATHER: The adjacent well---.

BILL HARRIS: Would drop with production?

BRUCE PRATHER: ---would get part of your frac job. In other words, you still get nitrogen or whatever out of that other well.

BILL HARRIS: Oh, okay. So, when you say that show up there's an indication that---?

BRUCE PRATHER: Then that's interference.

BILL HARRIS: Okay. Okay. I was just curious. Thank you. Other questions or comments?

(No audible response.)

BILL HARRIS: You may continue.

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

BILL HARRIS: Thank you. Do you have a motion on this?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. It's approved. Yes, we do need to do the well location plat, AA, that's suggested. So, we'll mark that as Exhibit---

JIM KAISER: Thank you.

BILL HARRIS: Okay. Okay, let me find my notes here. Okay, our next petition is from Equitable Production Company for a modification of the Nora Coalbed Gas Field to allow for drilling of an additional well in unit BT-41, Kennedy District, Dickenson County, Virginia. The docket number is 89-0126-0009-21. We'd ask all parties wishing to

speak to that petition to please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of Equitable Production Company. We'd ask the Board's petition to continue this one forward to next week. There was a miscommunication as to the final location of this well. Therefore, we need to...of the increased density well. Therefore, we need to continue it.

BILL HARRIS: Any objections of discussions?

(No audible response.)

BILL HARRIS: Okay. It will be continued. The next item is the Board will hear testimony from Equitable Production Company regarding discrepancy between gas production reported to the state versus that reported to royalty owners of certain properties in the Kennedy District, Dickenson County, Virginia. The docket number is VGOB-08-0219-2154. We'd ask all parties who would like to speak to this item to please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of Equitable Production Company. Dr. Bartlett was here earlier. We've had...I've had several conversations with Ms. Pigeon and Mr. Wampler and all parties had agreed back on January the 31st to continue this item forward to the March docket. Representatives of Equitable and Dr. Bartlett have...today have set up two potential dates that we'll meet

and try to resolve this thing so that it can be withdrawn at the March hearing hopefully. So, we'd ask that it be cont...well, I guess, it has already been continued until March.

SHARON PIGEON: And March is where you do still want it to be, right?

JIM KAISER: Yeah. We still want it at March. Hopefully, you'll hear from us that we can just remove that from the docket then.

BILL HARRIS: Questions or comments?

(No audible response.)

BILL HARRIS: Okay. We'll continue that then. Thank you.

JIM KAISER: Thank you.

BILL HARRIS: Our next item is a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed conventional well V-530081, Sandlick District, Dickenson County, Virginia. The docket number is VGOB-08-0219-2155. We'd ask for all parties who wish to speak to this petition to please come forward.

TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Pine...Range Resources-Pine Mountain.

BILL HARRIS: Okay. And the record will show there are no others. I believe your folks have been sworn

in previously. Is that correct, both have?

(Court Reporter indicates in the affirmative.)

BILL HARRIS: Yes. Okay, thank you.

TIM SCOTT: Mr. Grantham is passing out some exhibits for his testimony and then we'll begin.

(Jerry Grantham passes out exhibits.)

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you state your name and by whom you employed?

A. My name is Phil Horn. I'm employed by Range Resources-Pine Mountain, Inc. as District Landman.

Q. And are you familiar with this application now pending before the Board?

A. Yes, I am.

Q. And are you also familiar with the ownership of the oil and gas underlying this unit?

A. Yes, I am.

Q. And who is the owner of the oil and gas?

A. Range Resources-Pine Mountain, Inc. and Steinman Development Company own the oil and gas inside this unit.

Q. Who operates wells P-100 and P-434?

A. Equitable Production Company.

Q. Does Range Resources 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 we provided proof of mailing to Mr. Wilson?

A. Yes, you have.

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

BILL HARRIS: Any questions from Board members?

BRUCE PRATHER: Mr. Chairman.

BILL HARRIS: Mr. Prather.

BRUCE PRATHER: Phil, how much acreage is involved for the...inside the unit here?

PHIL HORN: That's 74.19 acres. It's down on the bottom.

BILL HARRIS: I'm sorry?

BRUCE PRATHER: Oh, okay, it is. Thank you.

BILL HARRIS: Is that the area...it says, "Drainage area", but is that the green square area?

BRUCE PRATHER: Yeah, it says so.

PHIL HORN: Okay. That will be Mr. Grantham's testimony.

BILL HARRIS: I'm sorry.

PHIL HORN: That's quite all right.

BILL HARRIS: Since he...I was just piggy backing onto his question. Thank you. Sorry. You may continue.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, would you please state your name and by whom you're employed, please?

A. Jerry Grantham. I'm employed by Range Resources-Pine Mountain, Inc. as vice president.

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

A. I did.

Q. And would you please explain to the Board why we're seeking a well location exception for this particular well?

A. We're seeking an exception for well V-530081 to prevent the loss of stranded reserves.

Q. By using the exhibit that you've provided

to the Board can you show us exactly how much acreage would be stranded?

A. Exhibit C, which is an exhibit that shows the wells in the general area of the requested exception. The well is shown on this exhibit and then a 1250 foot radius is also shown for each producing well. We then went in and put a 1250 foot radius around our proposed location exception well. You can see that the green area, which is the hatched area is the acreage that we discussed earlier, 74.19 acres. That acreage is currently not in any unit and is not being paved or being drained by any other well as the unit stand around it.

Q. What would be the potential loss of reserves if this application were not granted?

A. It would be 400 million cubic feet.

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

A. It is 5845 feet.

Q. Why then should the Board approve this application that we've submitted?

A. The Board should approve this application to prevent waste, protect the correlative rights of the acreage that's currently not in any existing unit and to promote conservation of the resource.

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

Mr. Grantham.

BILL HARRIS: Mr. Grantham, I'm looking at that circle. If we move that to the northeast, I guess, terrain would be an issue. Would you address that?

JERRY GRANTHAM: Exactly. That's a very good point. If you move it to the northeast and it looks like you could effectively increase the area that's not in any existing unit and maybe it would be a 100 acres. If you look on this particular map, we also have the topographic base which is very lightly shaded in behind all of that.

BILL HARRIS: Yeah, your contour lines. It's very close.

JERRY GRANTHAM: And the problem with moving to the northeast is that the terrain becomes very steep and then it gets down to a river and I don't know which river that is down there to the northeast. So, there really was no reasonable location anywhere in that northeasterly direction. That's why we positioned the well where we did on that...on basically a spur.

BILL HARRIS: Yeah, those contour intervals are almost touching there. So, that's pretty steep.

JERRY GRANTHAM: That's very steep.

BILL HARRIS: Yeah, okay. Thank you. I just wanted to address that. Any questions from other Board

members?

(No audible response.)

BILL HARRIS: Okay. You may continue.

TIM SCOTT: That's all I have for this witness.

BILL HARRIS: Okay. Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Okay. Any further discussions?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you.

TIM SCOTT: Thank you.

BILL HARRIS: It's approved. The next item is a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed convention well V-530082, Sandlick District, Dickenson County, Virginia. The docket number is VGOB-08-0219-2156. We'd ask all parties who wish to speak to this item to please come forward.

TIM SCOTT: All right. Tim Scott, Jerry Grantham and Phil Horn for Range Resources-Pine Mountain, Inc.

BILL HARRIS: Okay. Let the record show there are

no others. You may proceed.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please, again, state your name and by whom you're employed and your job description?

A. Phil Horn, District Landman, Range Resources-Pine Mountain, Inc. I'm in charge of the land department.

Q. And you did participate in the preparation of this application, did you not?

A. That's correct. I did.

Q. And are you also familiar with the ownership of the oil and gas for this particular unit?

A. Yes, I am.

Q. Who owns the oil and gas underlying this unit?

A. Just as in the last unit, it's 100% owned by Range Resources-Pine Mountain, Inc. and Steiman Development Company.

Q. We have three wells that we're...that have been addressed in the application. Who operates P-37, P-79 and P-100?

A. Equitable Production Company.

Q. And do you also...does Range Resources also participate in the of that well?

A. Yes, we do.

Q. As to the notice of this hearing, how was that affected?

A. By certified mail.

Q. And have we provided proof of pub...proof of mailing to Mr. Wilson?

A. Yes, we have.

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

BILL HARRIS: Questions from members of the Board?

(No audible response.)

BILL HARRIS: Okay. You may continue.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, again, state your name and by whom you're employed?

A. Jerry Grantham. I'm employed by Range Resources-Pine Mountain, Inc. as vice president.

Q. And did you participate in the preparation of this application?

A. I did.

Q. And would you please explain to the Board why we're seeking a well location exception for V-530082.

A. We're seeking a location exception for this well to prevent the loss of stranded reserves.

Q. Okay. What would be the loss of...what would be the stranded acreage if this application were not granted?

A. 70.97 acres.

Q. And what about the loss of reserves if this application were not granted?

A. It would be 450 million cubic feet of gas.

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

A. 6155 feet.

Q. And then would you please explain to the Board why this application should be approved as submitted?

A. This application should be approved to prevent waste of the resource, protect correlative rights of the owners in the area that's developed and to promote

conservation.

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

BILL HARRIS: Board members, are there any questions?

(No audible response.)

BILL HARRIS: I see this is another one. There's actually zero wiggle room there for placement. Any questions?

(No audible response.)

BILL HARRIS: You can continue.

TIM SCOTT: I just ask that the application be approved as submitted.

BILL HARRIS: Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Motion passed. The next item is a petition from Range Resources-Pine Mountain, Inc. for

pooling of coalbed methane unit Haysi 141 CBM unit 71-AH, Prater District, Buchanan County, Virginia. The docket number there is VGOB-08-0219-2157. We'd ask all parties wishing to address this petition to please come forward.

TIM SCOTT: Tim Scott, Ian Landon and Phil Horn from Range Resources-Pine Mountain, Inc.

(Ian Landon is duly sworn.)

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

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, you are employed by Range Resources-Pine Mountain, Inc., is that correct?

A. That's correct.

Q. And your job description?

A. I'm in charge of the land department here in this Abingdon District.

Q. Are you familiar with this application pending before the Board?

A. Yes, I am.

Q. And is this unit located in the Nora

Coalbed Gas Field?

A. Yes, it is.

Q. And what is the acreage figure for this unit?

A. 58.77 acres.

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

A. Yes, we do.

Q. Are there any respondents listed as unleased on Exhibit B-3 that we wish to dismiss today?

A. No, there are not.

Q. Now, we're going to break from the action for just a moment because this is sort of an unusual situation in which I, as title attorney, and Mr. Horn and various parties who have been involved with this particular company that we're seeking to pool today and I would like for Mr. Horn to give the Board sort of a background about how this has all come about and why we are here today with regard to Yellow Popular Lumber Company. Okay, Mr. Horn, you're on.

A. Tract 2 the gas is owned by Yellow Popular Lumber Company. Equitable has addressed this ownership time and time again through some of their force poolings. They were a lumber company that was operating in Virginia in the

early 1900s and they have roots in Chicago, Illinois and also down in Columbia, South Carolina. They ended up owning some gas under some pieces of property and other pieces of property they own the gas and the surface. In the early 1900s, Yellow Popular Lumber Company went bankrupt. They filed bankruptcy and they appointed a trustee, Galilee Friend who was an attorney in Clintwood to sell their assets. They sold the assets that they were aware of, which was their surface. We...apparently, they didn't realize that they owned this severed gas, which meant they own the gas only under the...some other surface properties. We're running into this...we run into this ownership time and time again in this area. Therefore, the...we're of the opinion that the gas ownership is owned by the Heirs of the stockholders of Yellow Popular Lumber Company as of 1910 or 1912 whenever they filed bankruptcy and sold their assets.

Q. So, it's almost a hundred years then since this went away?

A. Yes. We made...we tried to locate them. The Court file in Dickenson...in Buchanan County is missing. I believe some people, even some lawyers, may have gone up to Chicago and looked in the Federal records and couldn't find anything either.

Q. I would be one of those lawyers.

A. Okay.

Q. So, there have been efforts to locate these stockholders and their successors, is that correct?

A. That's correct.

Q. The...as we know it, the bankruptcy filing was actually in Cooke County, Chicago, is that right...in the Chicago area?

A. Right.

Q. So, that was where the initial effort was made, is that correct?

A. Yes.

Q. So, we continued to make efforts to locate these shareholders, is that right?

A. Yes.

Q. The...since we don't know who they are, we did not attempt notice by certified mail, is that right?

A. That's correct.

Q. But we did attempt notice through publication, is that correct?

A. Right. In the Bluefield Daily Telegraph.

Q. And we have provided to Mr. Wilson proof of that publication, is that right?

A. That's correct.

Q. Now, if we were ever to find these people,

what type of lease offer would you make to them?

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

Q. Okay. Do you consider this to be a reasonable compensation for a lease in this area?

A. Yes, I do.

Q. Okay. Range Resources is obviously authorized to conduct business in the Commonwealth, is that right?

A. That's correct.

Q. And there's a bond on file?

A. That's correct.

Q. Okay. With regard to this particular application, we do have the requirement for escrow, is that right?

A. That's correct.

Q. And so as a part of our application, we submitted an Exhibit, is that right?

A. Right.

Q. Now, which tracts are affected by the escrow?

A. It would be Tract 2.

Q. Okay. Now, back to the actual ownership under the unit, what percentage of the CBM estate does Range

Resources have under lease?

A. We have a 100% of the CBM ownership.

Q. And some of that percentage is fee simple.

That's correct, is it not?

A. That's correct.

Q. Okay. As to the gas estate, what does

Range Resources have under lease?

A. 99.57%.

Q. And what percentage are you seeking to pool  
in this application?

A. .43%.

Q. Okay. So, we did indicate that we are  
requiring an escrow, is that right?

A. That's correct.

Q. And based on our submission of Exhibit E.  
Now, are you also requesting that Range Resources be named  
operator under this unit?

A. Yes, we are.

Q. And what...what would be the address that  
would be used regarding any communications as to this unit?

A. Range Resources-Pine Mountain, Inc., P. O.  
Box 2136, Abingdon, Virginia 24212, Attention: Phil Horn.

Q. Now, all communications are to be sent  
there, is that correct?

A. That's correct.

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

BILL HARRIS: Thank you. Any questions from Board  
members?

(No audible response.)

BILL HARRIS: You may continue.

IAN LANDON

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Landon, would you please state your  
name and by whom you're employed?

A. My name is Ian Landon. I'm operations  
manager for Range Resources-Pine Mountain.

Q. And you're familiar with this application,  
is that correct?

A. Yes, I am.

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

A. 2,325 feet.

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

A. 275 million cubic feet.

Q. And did you also participate in the

preparation of the AFE?

A. Yes, I did.

Q. Okay. What's the estimated dry hole costs for this well?

A. \$135,263.

Q. And the completed well costs?

A. \$372,018.

Q. Now, we have submitted the AFE and it was a part of our application as Exhibit C, is that correct?

A. That is correct.

Q. Okay. Does the AFE also include a reasonable charge for supervision?

A. Yes, it does.

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

A. Yes.

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

BILL HARRIS: Questions from Board members?

(No audible response.)

BILL HARRIS: Okay. You may continue.

TIM SCOTT: That's all the questions I have for these witnesses. I ask that the application be approved as

submitted.

BILL HARRIS: Okay. Do we have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Oppose, like sign.

(No audible response.)

BILL HARRIS: Thank you. Motion passed.

TIM SCOTT: Thank you.

BILL HARRIS: We now have a petition from Range Resources-Pine Mountain, Inc. for pooling of coalbed methane unit Haysi 142-CBM unit 72-AH...I'm sorry, AH, Prater District, Buchanan County, Virginia. The docket number there is VGOB-08-0219-2158. We'd like to ask anyone who wishes to speak to this petition to please come forward.

TIM SCOTT: Tim Scott and Ian Landon and Phil Horn for Range Resources-Pine Mountain, Inc.

BILL HARRIS: Okay. The record will show there are no others. You can proceed.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, I'm going to ask you again to state your name and by whom you're employed?

A. Phil Horn, District Landman, Range Resources-Pine Mountain, Inc.

Q. And are you familiar with this application?

A. Yes, I am.

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

A. Yes, it is.

Q. Does it contain 58.77 acres?

A. Yes, it does.

Q. And does Range Resources-Pine Mountain own drilling rights in this unit?

A. Yes, we do.

Q. Do we have any respondents listed as unleased on Exhibit Three that we wish to---?

A. No, we do not.

Q. You're not going to dismiss anybody then. Do we also have in this situation Yellow Popular Lumber Company?

A. Yes, it's a portion of the same tract that we just referred to earlier?

Q. Okay. And as to those...that particular tract, we set...we published but we did not attempt certified mail, was that right?

A. That's correct.

Q. And, again, you've attempted to locate these shareholders and their successors, is that correct?

A. That's correct.

Q. Okay. Have we submitted a proof of publication to Mr. Wilson?

A. Yes, we have.

Q. And, again, is Pine...Range Resources-Pine Mountain authorized to conduct business in the Commonwealth?

A. Yes, we are.

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

A. Yes.

Q. If you were to locate any of these shareholders, what would be the lease terms that would be offered to them?

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

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

A. Yes, it is.

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

A. We have a 100% of the coalbed methane estate.

Q. And, again, some of this is fee simple, is that correct?

A. Yes, it is.

Q. Okay. What percentage of the gas estate does Pine...does Range Resources-Pine Mountain have under lease?

A. 98.86%.

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

A. 1.14%.

Q. Now, with regard to this particular unit, we do have an escrow requirement, is that right?

A. That's correct.

Q. Both for unknowns and because we have a conflict, is that right?

A. We have a conflicting claim as to Tract 1 and, of course, Tract 2 is the unknown stockholders---

Q. Okay.

A. ---of Yellow Popular Lumbar Company.

Q. Okay. Are you requesting the Board to pool

the unleased parties listed on Exhibit B-3?

A. Yes, we are.

Q. And you're also asking that Range Resources-Pine Mountain be named as the operator of this unit?

A. Yes.

Q. And what would be the address used with regard to all communications as to an order entered in this cause?

A. Range Resources-Pine Mountain, Inc., P. O. Box 2136, 406 West Main Street, Abingdon, Virginia 24212, Attention: Phil Horn, District Landman.

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

BILL HARRIS: Thank you. Questions from Board members?

(No audible response.)

TIM SCOTT: Okay. Thank you.

BILL HARRIS: Anything further?

IAN LANDON

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Landon, please state your name and by whom you're employed?

A. My name is Ian Landon. I'm operations manager for Range Resources-Pine Mountain.

Q. And you are familiar with this application, is that correct?

A. That is correct.

Q. And what would be the proposed depth of this well?

A. 2,425 feet.

Q. And the estimated reserves?

A. 275 million cubic feet.

Q. And you also...you indicated that you've participated in the prior...the AFE for the prior cause. Did you also participate in this...the preparation of this AFE, is that right?

A. That is correct.

Q. Okay. What would be the estimated dry hole costs for this well?

A. \$145,233.

Q. And the estimated completed well costs?

A. \$477,282.

Q. With regard to this particular AFE, is there a charge for supervision?

A. Yes, there is.

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

A. Yes.

TIM SCOTT: Those are all the questions I have for Mr. Landon.

BILL HARRIS: Any questions from Board members?

(No audible response.)

BILL HARRIS: I do have a quick question. It's about the well location plat, the one that's in our application. If you'll look at the unit in the upper right, it has William Edmond Boyd, surface, and I don't see a Tract number associated with that because down below is Jerry Owens, surface, for Tract 3. Is there---

PHIL HORN: It's also a part of Tract 3, which they own the surface over the War Fork Coal's Partnership, 410 acre. The reason it looks like it's different because your distance to Haysi 138 well has got it cut off. It's the same tract.

BILL HARRIS: So, it is part of Tract 3?

PHIL HORN: Yes, sir.

BILL HARRIS: Okay. I guess I'm a little confused then. We have two surface owners, is that what you're saying or is there...you're saying that that--?

PHIL HORN: Yes, sir. There's two surface owners, right. We'd have to...we're required to show the surface owners in the scope of the plat that will be disturbed and the road will be coming across these two surface owners.

BILL HARRIS: Okay. So, you're saying that that person is not in the unit or it is---?

PHIL HORN: Yes. Yes, they're both in the unit. It's just that part of his name is spilled outside where they typed it on there.

BILL HARRIS: Oh, yeah, now I see that, but I was just...well, okay, I'm not sure what I'm looking for. I guess I'm looking for a section that---.

PHIL HORN: Well, I guess...are you looking for a division line between---?

BILL HARRIS: Yes.

PHIL HORN: ---the two?

BILL HARRIS: Yeah.

PHIL HORN: The deeds are very, very non-descriptive. They don't have any descriptions. These are approximate locations of the property. We don't know exactly where the surface tracts are. I mean, that's why we

listed both people. We think we're going to be on both of them.

BRUCE PRATHER: It's not owned jointly then?

PHIL HORN: No. It's two separate tracts.

BRUCE PRATHER: Okay.

TIM SCOTT: What you've done here, Mr. Horn, is you've used the monuments as well as what's depicted in the Commissioner of Revenue's office to try to determine where those are located, right?

PHIL HORN: Yes.

TIM SCOTT: But they are not definitive as we know lots of things in that area are not, is that right?

PHIL HORN: That's correct.

TIM SCOTT: Okay. We did that as an abundance of caution to put both of those surface owners on there to make sure that that we...they were noticed properly for permitting, is that right?

PHIL HORN: For the permitting---.

TIM SCOTT: Yes.

PHIL HORN: ---application, these parties, as well as Hartwood, would be notified as surface owners to be disturbed and that's why we listed them here in the scope of the plat.

BILL HARRIS: And his ownership is in that region?

PHIL HORN: Yes.

BILL HARRIS: Yeah, okay.

PHIL HORN: Of course, my permit will show the pipeline and the road coming down from Haysi 138 and swinging around, which is...won't be on this force pooling exhibit, of course. Yes, sir.

BILL HARRIS: Okay, thank you.

PHIL HORN: You're welcome.

BILL HARRIS: Any questions from members of the Board?

(No audible response.)

BILL HARRIS: Anything further?

(Bill Harris and Sharon Pigeon confer.)

BILL HARRIS: Yeah, we're...I guess the confusion is...I guess the Exhibit B-3---

PHIL HORN: Okay.

BILL HARRIS: ---and Exhibit E---

PHIL HORN: Okay.

BILL HARRIS: ---for those. I guess this is CBM estate?

PHIL HORN: Yes, sir. There's a conflicting between Range Resources-Pine Mountain, Inc. on Tract 1 and Tract 2. In other words---

TIM SCOTT: But the Newberrys have leased though,

is that right, Mr. Horn?

PHIL HORN: Yes, the Newberrys have leased.

TIM SCOTT: But it's not been settled as to---.

PHIL HORN: We obtained a lease from them.

TIM SCOTT: ---who owns the CBM, is that right?

PHIL HORN: That's correct.

TIM SCOTT: That's the reason we're...we've listed them on Exhibit E as to...to set up the escrow. But the only parties that we're pooling would be Galilee Friend as Trustee for Yellow Popular Lumber, is that correct?

PHIL HORN: That's correct.

BILL HARRIS: And that's in B-3?

TIM SCOTT: Yes, sir. It's sort of unusual to have someone that you've leased that you have a conflict with, but we do here. So, that's why we've listed them on E, as well as for both the...the conflicting claim, as well as the unknown owners.

SHARON PIGEON: And you haven't listed Range Resources on B-3 as the owner? You're just...because they're not---.

PHIL HORN: Right. That's correct.

SHARON PIGEON: ---leased or pooled either one.

TIM SCOTT: Yes, ma'am, that's right.

SHARON PIGEON: Okay. Usually those tract each

other, don't they?

BOB WILSON: No. The B-3 is merely the unleased parties who are being pooled. Since they are fee owners of that coal estate or CBM estate, I guess I should say, they would be listed on B-3.

TIM SCOTT: And that's what Mr. Horn testified that we were both owners, as well as the applicant of some of the acreage that underlies this unit.

BILL HARRIS: Okay. Was that satisfactory?

SHARON PIGEON: Yeah.

BILL HARRIS: Okay. Other questions?

(No audible response.)

BILL HARRIS: Any further?

TIM SCOTT: No, sir.

BILL HARRIS: Okay. Do we hear a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Okay. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say I or a yes.

(All members signify by saying yes.)

BILL HARRIS: All opposed, like sign.

(No audible response.)

BILL HARRIS: Fine, thank you. Thank you.

TIM SCOTT: Thank you very much.

PHIL HORN: Thank you very much.

BILL HARRIS: Okay. You're welcome.

PHIL HORN: See you all next month.

BILL HARRIS: Okay. We'll see you. The Gas and Oil Board will hear public comments regarding Board matters immediately following the docket item, which that was the last one. So, do we have any folks that wish to make comments?

(No audible response.)

BILL HARRIS: Yes, if you will take a look at the minutes from the previous meeting. Is there any...do we hear a motion concerning the minutes from the previous meeting?

BRUCE PRATHER: I make a motion for approval.

MARY QUILLEN: Second.

BILL HARRIS: Okay. All right. Any further discussion?

(No audible response.)

BILL HARRIS: All in favor, say yes.

(All members signify by saying yes.)

BILL HARRIS: Opposed, like sign.

(No audible response.)

BILL HARRIS: Thank you. It's passed. Yes, Mr.

Wilson.

BOB WILSON: One thing, Mr. Chairman, just let everybody know and at the prodding at my legal advisor down there. I want to let the Board know officially that I'm going to be hanging it up here pretty soon myself. I will be retiring this year. I'll actually be employed at the Division through the end of July, but due to unused vacation, I will be actually very scarce around here after the first of May. So, I just wanted to let everybody know that I'd...this is the first thing that I've ever been able to beat Benny Wampler at.

(Laughs.)

BILL HARRIS: We do appreciate your service and wish you luck. I'm sure we'll be seeing you again though. Anything else?

(No audible response.)

BILL HARRIS: Okay. We stand adjourned.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape-recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 14th day  
of March, 2008.

\_\_\_\_\_  
NOTARY PUBLIC

My commission expires: August 31, 2009.