IN THE COUNTY OF WASHINGTON

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD

November 18, 2008

APPEARANCES:

BOARD MEMBERS:

BILL HARRIS - PUBLIC MEMBER
KATIE DYE - PUBLIC MEMBER
MARY QUILLEN - PUBLIC MEMBER
DONNIE RATLIFF - COAL REPRESENTATIVE
BRUCE PRATHER - OIL REPRESENTATIVE
PEGGY BARBAR - PUBLIC MEMBER AND ACTING AND AS CHAIRMAN

DAVID ASBURY - DIRECTOR OF THE DIVISION OF GAS & OIL AND PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

SHARON PIGEON - ASSISTANT IN THE ATTORNEY GENERAL'S OFFICE

INDEX

AGENDA AND DOCKET NUMBERS:	UNIT	PAGE
1) Post Production Cost Allowances		5
2) VGOB-08-0715-2287-01	826879	74
3) VGOB-08-1021-2347	AX-131	85
4) VGOB-08-1021-2350	BA-138	93
5) VGOB-08-1021-2359	V-530058	101
6) VGOB-08-0115-2120	AB78CV	105
7) VGOB-89-0126-0009-36	MOD. OF FIELD RULES	119
8) VGOB-93-0216-0325-16	MOD. OF FIELD RULES	125
9) VGOB-08-1118-2364	Q-81	136
10) VGOB-08-1118-2365	AU-92	142
11) VGOB-08-1118-2366	CC-10	144
12) VGOB-08-1118-2367	BUCH. NO.1 SGU2	150
13) VGOB-08-1118-2368	H-38 (AE-206 & AE-207)	190
14) VGOB-08-1118-2369	VC-502947	199
15) VGOB-08-1118-2370	V-536401	221
16) VGOB-08-1118-2371	VC-537973	226
17) VGOB-08-1118-2372	V-536916	230
18) VGOB-08-1116-2373	VCI-539475	245
19) VGOB-08-1118-2374	VCI-539485	249
20) VGOB-08-1118-2375	VCI-539481	251
21) VGOB-08-1118-2376	VIC-539480	253
22) VGOB-08-1118-2377	VCI-539476	255

INDEX (cont.)

AGENDA AND DOCKET NUMBERS:	UNIT	PAGE
23) VGOB-08-1118-2378	VCI-539472	256
24) VGOB-08-1118-2379	VCI-539491	258
25) VGOB-08-1118-2380	VCI-538563	259
26) VGOB-08-1118-2381		262
27) VGOB-08-1118-2382		265
28) VGOB-08-1118-2392	V-536401	216
29) VGOB-89-0126-0009-37	MOD. OF FIELD RULES	236
30) VGOB-89-0126-0009-38	MOD. OF FIELD RULES	269
31) VGOB-89-0126-0009-39	MOD. OF FIELD RULES	272
32-) VGOB-08-1118-2383 33) VGOB-08-1118-2384		275
34) VGOB-08-1118-2385	V-530011	Cont.
35) VGOB-08-1118-2386	V-530013	Cont.
36) VGOB-08-1118-2387	V-530013	Cont.
37) VGOB-08-1118-2388	V-530016	Cont.
38) VGOB-08-1118-2389	V-535462	Cont.
39) VGOB-08-1118-2390	V-353462	Cont.
40) VGOB-08-1118-2391	REVIEW OF REG. 4 VAC25-160	279
*Approve minutes		282
**Public Comments		282

PEGGY BARBAR: Good morning. My name is Benny Wampler and I'm acting director of the Department of Mines, Minerals and Energy and Chairman of the Gas and Oil Board. And I'll ask the Board members to start introducing themselves. Ms. Prather?

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

BILL HARRIS: I'm Bill Harris, a public member from Wise County.

PEGGY BARBAR: Peggy Barbar, Dean of Engineering, Southwest Virginia Community College.

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

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

MARY QUILLEN: I'm Mary Quillen. I'm the director of graduate programs for the University of Virginia here at the center and I serve as a public member.

PEGGY BARBAR: Please take a minute and turn off your cell phones. And last but not least, David?

DAVID ASBURY: Oh, I'm David E. Asbury. I'm Director of the Division of Gas and Oil and principal executive to the staff of the Board.

PEGGY BARBAR: Thank you. Mr. Prather, would you

please give us a summary of the sub-committee meetings that we've been having relative to post production costs?

BRUCE PRATHER: All right. With the completion of the three separate meetings the Board production...post production cost committed has made the following recommendations and conclusions. Oil and gas companies operating in the state of Virginia may not be allowed to deduct post production costs from royalty owners who are involuntarily being force pooled in the drilling units. Operators of conventional wells are required by the state statutes to have lease holding ownership of 25% proposed drilling unit in order to be the operator of a drilling unit in order to maintain...to attain a consistency or unitization it is recommended that the operators of the CBM drilling units have a lease holding minimum of 25% of proposed acreage prior to being designated as a CBM unit operator.

AUDIENCE MEMBER: Would it be possible to speak into a microphone?

BRUCE PRATHER: I've got one right here.

MARY QUILLEN: There are no microphones other than what's in the ceiling

KYLE ROBERTSON: Start over, we can't hear you.

BRUCE PRATHER: Okay.

PEGGY BARBAR: Mr. Prather, would you mind to stand maybe toward the back and then your voice might project a little bit better?

BRUCE PRATHER: Going right up there somewhere.

MARY QUILLEN: Yes, sir.

PEGGY BARBAR: Okay, well then over here, maybe stand where the microphone can pick you up and your voice can carry. You do have a relatively soft voice.

SHARON PIGEON: These microphones are just to record the transcript. So, they are not amplifying any of the voices from this table. So, you all need to keep that in mind.

BRUCE PRATHER: Okay. With the completion of three separate meetings the Board's post production cost committee has made the following recommendations and conclusions. Oil and gas companies operating in the state of Virginia would not be allowed to deduct post production costs from royalty owners who are involuntarily being force pooled in the drilling units. Operators of conventional wells are required by state statutes to have lease holding ownership and 25% of the proposed drilling unit in order to be the operator of a drilling unit. In order to attain consistency of unitization it is recommended the operators of CBM drilling units have a lease hold minimum at 25% of the

proposed acreage prior to be designated as a cbm unit operator. The third one was CBM wells are not required by statute to locate offset wells on the state of Virginia's survey plat. With the potential increase in horizontal drilling and coal seams, it is mandatory that all offset wells be included on the state survey plat. It is recommended that all wells within 2,000 feet of the horizontal bore hole be identified on the well survey plat. Fourth, it is recommended that the Board adopt an authorization for expenditures, which is called an AFE form that will be included in the permitting package for all operators to use in their future drilling plans. Other items that we have discussed is a professional audit of the escrow account. We're going to have to do a little more on this because we don't know really what kind of audit we would need and we really don't know who is going to pay for it. So, it's probably needed, but that's our problem. So, we're working on that. And then B, there's a...in the state's statutes there is a reference point for post production costs and it says, "downstream of the wellhead". Well, production costs are also downstream of the wellhead. And what it amounts is that the post production costs are downstream from the sales point or the metering point. And so this is something we're looking at. I mean, I don't

think anybody is doing that but this is something that needs to be cleared up. And that's my report.

PEGGY BARBAR: Additional comments, from members of the Board?

(No audible response.)

PEGGY BARBAR: Mr. Grantham, are you ready for your comments?

JERRY GRANTHAM: Mr. Kaiser and I are going to give comments together. Is that a problem?

PEGGY BARBAR: Please state your names for the record.

JERRY GRANTHAM: Jerry Grantham.

PEGGY BARBAR: For the record, I'd like to acknowledge that Mr. Ratliff...Donnie Ratliff representing the coal industry has just arrived. Could you please state your name for the record?

JIM KAISER: Yes. Madam Chairman and members of the Board, my name is Jim Kaiser. I'm here representing the Virginia Oil and Gas Association. Mr. Grantham and myself are going to make a presentation as to why we believe that the deduction of post production expenses from a royalty share is fair and reasonable and actually serves to enhance the royalty owner's value and that their actual royalty. And what I've passed out to the Board is a summary...bullet

point summary sort of going through the history of how this language in 9.2 of the order and how this whole procedure evolved. The original Virginia Gas and Oil Act did not provide any guidance for operators or for the Board as to royalty payments. The Board has over time not allowed operators or applicants for force pooling applications to the Board to submit leases as, for instance the Commonwealth of Kentucky does, that would clear up a lot of the uncertainty of certain of these terms. They do not allow us to submit leases that the force pooled interests would be subjected to. So, it created a lot of uncertainty as to terms and conditions in these orders. So, in 1993 along with the introduction of FERC Order 636 which essentially unbundled gas services. In other words, it unbundled the processing, the transportation and dehydration, the compression and all the different things that need to be done to gas to be able to make it marketable along with that the then Assistant State Attorney General Sandra Riggs sought for uniformity and for in order to comport with both the majority rule of law and industry customs. She sought input from the Virginia Gas and Oil Board. She sought input from operators. She sought input from royalty owners. She sought input from the general public in order to amend the orders or modify the orders to include language as to how

royalties should be paid and what could be deducted from royalty. The result of this was the language that we currently see in paragraph 9.2 of the Board order, which allows for the deduction of certain post production expenses from the royalty share. That was the...you know, the order was changed to reflect that.

In 1995, a royalty owner, in fact I think he’s here, complained to the Board about one of his royalty statements and the Board at that time instructed the then director of Division of Gas and Oil Tom Fulmer to do a study on this issue and report back to the Board. Mr. Fulmer did a very extensive study which is available at the office of the DGO, and I know the Board has reviewed on several occasions, and came to the conclusion that the language as written was fair and reasonable to all parties. And, again, the Board adopted this language.

Points to make, I think and Mr. Grantham is going to address this down the line, I think Mr. Swartz will have some points to address, but I think in large part there is some confusion particularly among the general public as to the difference between production costs and post production costs and Mr. Grantham is going to address that and hopefully clear up any misunderstanding that exists there. But it's important to understand that there is really no

market for the gas out in the field at the wellhead. The operators have spent millions of dollars to build this infrastructure to be able to get this gas from the field to a viable market. Unfortunately, at this time, because of the make-up of Southwest Virginia there is not a whole lot of market for gas...for this gas right here in Southwest Virginia and I think Mr. Grantham will talk about that. But I believe that probably less than 1% or 2% of the actual gas produced in Southwest Virginia is consumed here because there’s just not the industry or the residential growth for that gas consumption. So, what actually happens by taking this gas from the well head downstream to a point of sale to a viable market, yeah there is some costs that are incurred and those costs are shared by the working interest owner. The working interest owner...this is another thing I think people are a little confused on, the working interest owner pays seven-eights of those costs, the royalty interest owner pays one-eight. And what actually happens is the value of that gas at the wellhead is maybe zero or maybe something a little more than zero whereas the value of that gas at the marketplace where you know you have to incur these costs to get it to is something greater than that, I guess right now about $6.50. So, this whole system actually enhances the value of the gas and thus enhances the royalty that the

amount of money that the royalty interest owner gets in the end.

Other industries routinely deduct transportation and processing costs. A good example, particularly for this crowd, would be the coal industry. They deduct transportation. They deduct processing and the cleaning of the coal. All that gets deducted from their royalty. This is not something that the gas industry just invented on their own.

In conclusion, we feel that the language in paragraph 9.2 as written now is reasonable, it's fair and equitable for both parties and in particular makes economic sense for everyone involved. Now, I'll turn it over to Mr. Grantham at this time.

JERRY GRANTHAM: Okay, thank you. What I'd like to do would be sort of run through the definition, if you will, of what post production cost is. I think Mr. Kaiser indicated that there seems to be a little confusion on what these costs actually are and what we are saying that the royalty owner should bear their proportionate share of.

And if you will flip to the second page of this handout, what we've tried to do is make a schematic here that shows what an operating cost is...it would be this one, what an operating cost is and what a post production cost

are. And if you take the dash line here, this is a schematic of a wellhead, this is surface for the ground level and so...of course, we're producing gas from depths 3 to 6,000 feet, the gas has to come up to the wellhead to be produced at the surface. Operating costs are the costs that are incurred to get the gas out of the ground up to the wellhead up to the surface effectively. Those costs are paid 100% by the working interest parties. Now, when we get to the wellhead and pass the meter at this point right here where this dash line is these costs which are downstream of the wellhead are our post production costs. And post production costs are costs that are incurred to add value to that gas. We're moving that gas from that wellhead to some point downstream of the wellhead. It could be somewhere in Dickenson County, it could be Abingdon, it could be Richmond where there's a market. But those costs to move that gas from the wellhead are post production costs and they include costs such as gathering compression, processing potentially transportation, marketing. It may not include all those but those are all costs that enhance the value of that gas because we're moving it to a viable market. Some of the gas we produce, I mean, gas..natural gas has...can be in a lot of different forms and some gas has to be processed to be burnable in your home. It's not what we call pipeline

quality. Maybe it has too much oxygen in it, that has to be taken out. Maybe..we're fortunate in Virginia we don't have gas that has H2S in it, but some gas does and that has to be processed out because you can't burn gas that has H2S in your home obviously. I mean, that would be a hazard. So, there are things we have to do and different operators have to do different things.

The other thing about Virginia is that we have reservoirs that are extremely low pressure in the bottom and so our wells respond much better at the surface when we get the pressure as low as possible at the wellhead at this point and we do that by this compressor right here, by pulling that down because at the end of the day, particularly coalbed methane wells need to be producing at 5-10 pounds, maybe 15 pounds. But the pipeline system that we go into is 1,000 pounds. So, we have to take gas that's 5-10 pounds pressure compress it to get it into a system to get it into a market.

Post production costs, as Jim said, the royalty owner pays one-eighth of those costs. We're enhancing the value of the gas. We're moving it to a market where it's viable. The working interests pays seven-eights. I mean, we are not saying the royalty pays all these costs. We're saying the royalty should pay their share of those costs

because we're making a product more marketable.

If you flip over to my next page, I tried to sort of get it in a comparison or an analogy and I thought well Christmas trees is probably a good one because everybody is thinking about getting their tree up pretty soon. You know, Mt. Rogers we have a very viable Christmas tree farming area up there. If I grow Christmas trees in Mt. Rogers, I can make a decision on how I want to sell them. Right. I can sell them up there and then you and I can drive up to Mt. Rogers and buy our tree. Well, if I did that I expect that tree is going to be cheaper than if I buy mine here in Abingdon and in fact it probably is, you know, I'd say it's going to be $25 to get that tree up there. But myself as a Christmas tree grower I have a choice, I can say well I want to do that or I want to incur costs and haul my trees down to Abingdon and maybe that costs $5 a tree to do that but in Abingdon I can sell my Christmas tree for $50, right. So at the end of the day Im going to go with option B because I net $20 more by moving my tree to Abingdon. It's really no different in gas because as Jim said at the wellhead in Dickenson County or Buchanan County or wherever that wellhead is in Southwest Virginia there is an extremely limited market and that is because we have smaller populations. We don't have industry. And right now we're

producing over 100 bcf a year. There’s probably 1% or less of the market of that 100 bcf is in Southwest Virginia and we looked at that and it's pretty small. So, what we do is we incur costs to move that gas to wherever it is. Richmond is a good example. And there the gas has a lot more value. It’s really, you know, pretty basic economics supply and demand. We have the supply here but we have no demand. We have the demand here but effectively we would have no supply because there is no gas produced in Richmond but we transport it there and so we do have a market. But the cost to get it there is the difference between, you know, what the value is here and what the value is here. And certainly if we move it here it benefits everybody because at the end of the day we are paying seven-eights of those costs to transport that gas the royalty owner should too but they’re going to get a lot more for their gas just as we are. I mean, we wouldn’t be moving it here unless we were getting more for it than we would at the wellhead.

This is just sort of summarizing working interest/royalty interest. The working interest always pays 100% of the costs to drill and complete the well. There is no question about that. That’s not an issue we’re really discussing. We always pay 100% of the costs to bring the gas to the surface, the operating costs. And those could be

various things, a pump jack on a coalbed well is a good example, well tending and things like that. We always pay that. That's not an issue here today. What we're saying is that we should pay seven-eights of these post production costs and the royalty owner should pay their one-eighth share.

And I'm sort of wearing two hats here today because Range Resources is one of the larger working interest parties in Southwest Virginia. I mean, we do all of this, but we also are the largest royalty owner in Southwest Virginia as far as oil and gas are concerned. Actually, in the whole state we are the largest royalty owner. So, I wear the hat of the working interest owner and I wear the hat of the royalty owner and I recognize from my royalty owner side that this is a legitimate cost and it's a cost to enhance the value of the gas. And my company believes and we do have the responsibility of paying our one-eighth share of that cost to enhance the value of the gas and we do that in our agreements.

That's pretty much that presentation. I sort of wanted to...are you going to get to this at the end---?

JIM KAISER: Well, you go ahead.

JERRY GRANTHAM: Okay. We just put some numbers, if you go to Jim's original handout and go to the back page.

JIM KAISER: Actually there are two pages. The first page is a summary and the second page is kind of a chart.

JERRY GRANTHAM: If you go to the second page, you know, certainly we always want to find the best market for the gas. We want to be paid the highest price. And the highest price at the end of the day is the price, obviously, that you get paid in the market minus the cost to get it there. That's what the net price is. Moving that gas to Richmond or whatever the market is we're always going to get the highest net price. That benefits everybody. It benefits the working interest owner which we are. It benefits the royalty owner which I am or my company is. It benefits the state because the state is being paid severance tax based on how much gas is sold, so that goes back. It benefits certainly Southwest Virginia because Southwest Virginia is where all of these jobs are and I have read some things that we aren't creating jobs in Southwest Virginia and we've done a recent survey within VOGA and this preliminary numbers is well over 3000 people that we're employing in what we're doing and the vast majority of those 80% plus are here within Southwest Virginia. So, we do have a big work force. Obviously, getting the highest price for our gas means we're going to employ more people and at the

end of the day it should benefit the working interest owner, the royalty owner, the state and the local economies.

JIM KAISER: And just to kind of touch on some of the economics facts that Jerry just pointed out, I mean, the total gas production in 2007 in Virginia was about 112 bcf approximately $80 million dollars were paid to royalty owners and without the millions of dollars that have been spent on infrastructure by the operators to get that gas to a viable market that royalty figure would be considerably, considerably less than that. And the Board and the citizens and the royalty owners really need to keep that in mind.

PEGGY BARBAR: Thank you very much, gentlemen. Peter Glubiack? State your name for the record, please.

PETER GLUBIACK: Yes, Madam Chairman and members of the Board, my name is Peter Glubiack. I'm here today, although I've been here many occasions as a private citizen, I don't have a client per say I'm representing in a sense. I am merely speaking as a public citizen. My address is P. O. Box 144, (inaudible), Virginia 23009. I'd like to point out for the Board that first and foremost you've taken this issue on. I commend you for that. You've had several working meetings, one or two of which I've been able to attend. Mr. Prather read the recommendations and I fully support those. I think that the public needs to be aware that there

is...has been done a lot of work done. I would also point out that you solicited through Mr. Wampler's request back in the spring public comment, the industry was afforded an opportunity to comment. There was some private citizens. I would ask you to pay particular attention, and I think you've all got that information, hopefully Ms. Davis supplied all of that to you. She certainly supplied it to me. I would ask you to pay particular attention to Mr. Scott Sexton's letter. I think it's probably the clearest exposition of this entire issue that has been discussed. I think he is certainly one of the state's leading experts. He certainly litigated the most complex case and came out with a substantial victory for his clients. I would point out that the road map has sort of been written by that case. There is no real need to reinvent the wheel. The only difference here today is your customers or your clients so to speak. You represent those people whose property has been taken. Let there be no mistake about that. The General Assembly in the passage of the Gas and Oil Act said, and I know Mr. Harris has reflected this a couple of times, we're going to let the gas operators and the interest of the economy, the interest of energy and dependence, what have you, we're going to let the operators come in and take your gas. That's what happens. We're going to let them keep

seven-eights of it...for every eight dollars that comes in they're going to keep seven of it for the privilege of taking your gas and we're going to reward you with one-eighth of that. Now, what has happened over the past fifteen years is and you heard Mr. Grantham and Mr. Kaiser, you know, clearly talk about that, is that they determined not only are we going to just give you one-eighth of your gas we're going to deduct production costs...post production costs to get it from the wellhead to the point of sale. Using Mr. Kaiser's numbers he just gave you, $80 million dollars was paid in royalty. If you multiply that by 7 assuming seven-eights of that I'd like you to point...I'd like you to think in your head for a minute, that's $560 million dollars of gas that was pumped, profits that were made, gross that was received by the gas industry. This is an enormous spectacularly large amount of money and it's only going up. I think the General Assembly when they set this up said that the royalty owners were being force pooled. That's what you need to remember. Force pooled means we're giving the ability statutorily we're given the regulatory authority to take your gas. They come in for a well application, you approve a well application, they come in with a force pooling order, you approve the force pooling order and they go to work. And going to work means they're

putting wells in the ground, they're pumping the gas and they're making a lot of money. And for that, and this is the force pooled people, this is what you're clients are, we're not concerned about the lessors. That's not your business, you don't deal with them. That's a fair market transaction. That's businessmen dealing with businessmen, landowners dealing with businesses. Those people have signed leases. That's their business. What they choose to do is their business. What you're doing is you're protecting those people, the little people, in Buchanan, Dickenson and Russell and Tazewell who own this gas. I spent five years in court establishing that they own the gas. The Virginia Supreme Court says if you didn't sell the gas, you didn't sell the minerals and you only sold the coal you the surface owner own that gas. It's their gas. It's being taken. It's being taken legally with statutory authority. But I think when the General Assembly decided to let them keep seven-eights, put one-eighth in escrow, that's what they meant. The plain meaning in the statute if you look at my written comments there is no authority. This is a fiction, a creation of the industry that said what you're allowed to do is we're going to...we're going to let you keep seven-eights, give one-eighth to the little guy and then we're going to let you hit him.

Now, Mr. Kyle Robinson has testified before you a couple of times and sometimes really in this process the post production costs were more money...these people were getting reports that were negative, you owe us money for taking your gas. I mean, I can show you statements where that was the case. You know, we have the privilege of taking your gas, you owe us money for. Thanks a lot. So, I'm not going to take a lot more of your time because there's a lot of people here. It's a simple situation. You're a working group, the members of the Board voted 3 to 2 to eliminate post production deductions. I commend you for that vote. It's a very simple decision. Protect the little guy, the guy who does not have a voice. That's your job. Simply say one-eighth is one-eighth, we're going to draw a line. If that's the pitiful small amount you're going to get for your gas then that's what we're going to do. We're not going to let an industry that makes hundreds of millions of dollars continue to hit you.

One last point, there is a market for the gas at the wellhead. If you get on the Energy Information Administration web site they'll give you a print out that shows a wellhead price. There is a wellhead price. The gas operators don't want to tell you what it is, nobody knows where it comes from but it's there. This is your federally

tax payer paid for web site. It's there. So, don't let them tell you there's no market at the wellhead. There is. There's a national price at the wellhead. Now, I can't tell you what makes that up because you know what Virginia operators don't report the prices they give to the Energy Information Administration. Almost every other state does, but Virginia doesn't. It stopped doing it in 1995. No one has been able to answer me as to why they don't do it but they don't do it.

So, in summary please do your job, follow your recommendation. You voted three to two. Support that recommendation. Support the working group. Vote to essentially give the force pooled people the people whose gas is being taken their one-eighth royalty. They don't need any more deductions. They don't need that stuff. They're going to sell the stuff. Yes, they need to get if from the wellhead at the point of sale, but they're going to do that. They make seven-eights, they made $560 million dollars on it in 2007, some argued more than that. They're going to get it there and they're going to sell it. Protect the little guy. Let him have his one-eighth. Don't let them deduct any more. Thank you.

PEGGY BARBAR: Katherine...Katherine...I cannot read your last name.

KATHERINE JEWELL: Jewell. My name is Katherine Jewell. First, I'm requesting that all prior comments that I've made during the public comment period with the Board meetings and that all prior submissions to this Board be made part of the record and be considered by the Board. Now, you've heard a lot of this before but I'll just sort of hammer it home again. The Virginia Gas and Oil Act of 1990 allowed for the statutory pooling of 100% of the unleased gas interests in coalbed methane units and up to 75% of the unleased gas interests in units of conventional gas wells. Our elected officials essentially removed the rights of gas owners to choose if they wanted their gas extracted, when they wanted their gas extracted, to choose a company to extract the gas, to enter into agreements when they bring owners with respect to the extraction of the gas and most important the ability to negotiate a fair lease. The Virginia Gas and Oil force pooling orders are products of this Board. If you are an unleased owner of the gas in the pool these are the orders that lay out your options. To participate in the working interest of the well whereupon you fork over your percentage of their estimated costs, to have a carried interest in the well, to elect to receive a cash bonus usually $1 or $5 for the net acres owned in the pool and a one-eighth royalty minus reasonable deductions.

If you fail to elect then you are deemed to have leased and/or assigned your rights, title, interests, estates, claims in the drilling unit to the unit operator. For this you would receive one-eighth royalty minus reasonable deductions. Now some time between....some time in 1992 the Board changed the wording and I have some force pooling orders from this time and the wording of the royalty clause was for one-eighth of eight-eights of the oil and gas and gas condensates produced from the well and delivered into the leased tanks or into the pipelines to which such wells are connected, free and clear of all costs, expense, and risks incurred in or in connecting with drilling equipment operating completing plugging and abandoning, whatever.

Okay. Two, a royalty of one-eight of eight-eights of the net proceeds received by the unit operator for the sale of coalbed methane gas and gas condensates produced from any well developed covered by this order. For the purpose of this order net proceeds shall be...actual proceeds received less all post production costs incurred downstream of the wellhead including but not limited to all gathering, compressing, treating, transportation and marketing costs whether performed by the unit operator or a third party as fair and reasonable and equitable compensation to be paid to said owner. We haven’t been

given any explanation as to why these changes were made. Subsequent Boards have accepted this wording. It is interesting that when the gas operators are asked under oath the royalty they pay to the gas owner that's being force pooled they respond one-eighth and fail to mention a little bit about reasonable deductions. The reasonableness of these deductions to the one-eighth is determined by the gas companies. This alleged costs are not broken down on your statement. The gas companies are quick to tell you how expensive it is to drill a gas well and the risk they are taking. The reality is Southwest Virginia has one of the most productive gas fields in America and the technology has improved the ability to find and to extract the gas. As to the expense, well there are numerous tax associated advantages associated with gas production including alternative fuel production credits and tangible drilling costs tax deductions, small producer tax exemptions, lease cost deductions, tax incentives for marginal wells and more. And I'm sure the working interest owner up there is aware of these tax deductions and tax advantages. It should come as no surprise that the states that don't have force pooling or have a limited force pooling and thus allow for free markets with respect to gas lease negotiations report gas lease royalties as high as 25% and mineral acre payments up to

$20,000 per acre. Here there is no incentive to obtain leases when you can just request the Board to force pool the gas in the unit. Now, I have previously submitted spreadsheets showing the royalty payments made to my family on a force pooled property. These deductions range from 28% to 45%. The price used to calculate the royalty was substantially reduced from the general market price and the volume used was from the point of sale and not from the wellhead. If these were considered the..if these were considered the post production deductions would of course be greater. Nowhere in the 1990 Act does it state that deductions can be made from royalties on force pooled owners. It does state that the coalbed methane gas well operator shall deposit into escrow account one-eighth of all proceeds attributable to conflicting interests. Certainly, the gas with respect to these owners is no less valuable than the gas from the other force pooled owners and it is inconceivable that the Act would allow for the deduction of post production costs from other force pooled owners but not from those with conflicting claims. It’s clear to me that although the legislature seized the rights of the gas owners by allowing for 100% statutory pooling and for 75% in conventional gas wells, there was no intention to allow for the additional seizure of assets out of the one-eight

royalty. The force pooling orders are not only unconstitutional but also appear to be a bit illegal.

It was mentioned about royalties...I mean about escrow accounts. Well, I happened to look into some of these escrow accounts. All the information on what I did to assess these accounts, I looked into eighteen accounts, this is for just one company, which not to be picked on...picking on them, but Equitable. What you have there is telling you how what I did to go about looking into these accounts. The back of these we're talking about the findings. Now, all of these accounts involve the unknown unlocateable person, okay, or people, you know. There are some major issues in here which I would like, you know, for you all to consider and address. Apparently, when escrow---.

PEGGY BARBAR: Ms. Jewell, excuse me, do you have more copies? I thought I saw some more on your desk.

KATHERINE JEWELL: I'm sorry, I was holding out. Sorry.

PEGGY BARBAR: Does everybody else down here? Do you need one?

KATHERINE JEWELL: Okay. Anyway, I'm not too sure what you all receive when there's a petition for distribution if you actually receive the detailed statement of all the money that went into the account that the Act

requires you to receive. I don’t know that that’s being done. But with respect to Equitable Resources and I looked at I think seven of theirs, it's interesting. We have a...the first one in there, what I calculated should be in royalties was $72,554 plus interests and it showed $73,450 which is just about right. One of the owners...this is a conflicting claim, one of the owners was Nick Reynolds heirs unlocated unknown and the other one was Pine Mountain-Range Resources. We go on. Now, that’s the best one, okay. We go on to these other accounts here and we see that in this one account there should be $24,386 and $7,691 is in the account. And in another account we see that $58,965 should be in the account, $75.76 is in the account. That’s the five dollar per acre interest. Another account we see that $95,810 should be in the account, $317 is actually in the account. Another one $24,340 should be in the account, $317 again. Now, you can see some similarities when you look at whose accounts these are. $62,626 we have $300. $4,378, we have $51. Yeah, I don’t know. You know, none of these accounts could be under this Act escrowed internally. Okay, under the Act, because they all involve an unknown person and most of these and this is the interesting part, a lot of these are Yellow Poplar. Well, I’ve found Galley Friend. Just kidding. You all don’t freak out. But, yeah, it would

be nice but it wouldn’t be worth the effort would it? Okay, so I do have my spreadsheets just for...I don’t know, who would like a copy of the spreadsheets? Anybody need them?

PEGGY BARBAR: Mr. Grantham, do you want to keep a copy of the spreadsheets for the subcommittee?

DAVID ASBURY: I’ll keep them for our records as well, Ms. Jewell.

KATHERINE JEWELL: Thank you very much.

PEGGY BARBAR: Mark Swartz?

MARK SWARTZ: Do you want me to come now or do you want to hear from more citizens? It's your pick.

PEGGY BARBAR: I thought about bouncing back and forth but that is a good idea. Let’s go to Juanita.

JUANITA SNEEUWJAGT: Juanita Sneeuwjagt from Clintwood Virginia, president of committee for Constitutional and Environmental Justice. Do you need to swear me in? No, no swearing in. Okay, I’m going to do something real simple today and please, please indulge me in this because numbers get lost with a lot of people and I’m not real good at math, so I’m going to do something real simple. I brought a little pie cake thing and I cut it into eight slices. Now, that would represent 100% of gas that’s under my land and under a lot of land of people who were force pooled. Now, in my estimation, this is 100%, this is

eight-eights. Can everybody see this is eight-eights? Okay. What I'm going to do is I'm going to take away one of those eights. The Virginia Gas and Oil Board...not Virginia Gas and Oil Board, excuse me, excuse me. The Act of 1990 said that the gas company may take this amount, which winds up to be 87.5%, and they said that the force pooled owner may have one-eighth of eight-eights, which is equivalent to 12.5% while they keep the rest. Okay, now to add insult to injury they're going to have their...I'll clean up my mess here. I think I dropped some and I'll clean it up. Okay, with this one-eight...and don't forget this was my pie, all of this was my pie, okay, but the state of Virginia seized it and they said okay we're giving this to the gas company and well how benevolent of us we're giving you back this slice. Okay, so somewhere along the line and I don't know how they managed to do it, but the gas company says okay. We're going to take this amount for compression. We're going to take this amount for sweetening or conditioning. We're going to take this amount for employee benefits. We're going to take this amount...well we better have a big gob for transportation, I think. Okay, we're going to take this amount for taxes. We're going to take this amount for insurance. We're going to take this amount for communications. We're going to take this amount for

abandonment and reclamation. Well, we don’t even have enough there. What if there should be a catastrophe? We don’t even have enough to cover a catastrophe. And we could go on and on with this. And gathering, we didn’t even talk about gathering expenses yet. Okay. So, pretty much this is what your force pooled owner gets left with. Okay. So, I just...forgive me for that. If anybody wants cheesecake afterwards you may have it. But I’m not good at math and some people aren't and I just thought that would be a simpler thing to do. So, that’s the plight of the force pooled owner. You take it all. You give back one-eighth. And then you take the one-eighth. Okay. So, that’s where it is folks. That’s where it is. There’s no fairness here whatsoever. And the people who...I said this last month, the people who are going without a proper heating, proper food, proper medications and so forth, gas companies why can’t you do the right thing and let the people keep their one-eighth. I mean, you’re getting filthy rich. Excuse my terminology. Why not? I mean, you’re getting all of this money. It is given to you by the state of Virginia. Why not let the people keep their one-eighth? I think there’s a company or two who does let the people keep their one-eighth. And you know that’s just peanuts. So, in the public eye you would look a lot better saying, okay, okay

you deserve the one-eighth, we got the gas for free anyway, let’s just give it. You know, I know you people are nice people, but we would think so much better of you if you did this. It’s the humanitarian thing to do.

PEGGY BARBAR: Thank you very much for your comments.

JUANITA SNEEUWJAGT: Thank you.

PEGGY BARBAR: Ron Ratliff?

RON RATLIFF: I’m Ron Ratliff and I’m from Buchanan County. And as each one of you were setting here listening to the first speakers that spoke, if you believe this cost theory that they gave you, you’ll probably hear it explained in the same way again and again today by some of the gas company people. But if you believe this then you probably believe the economy in Virginia and in the United States and the world is great because you probably made 60 plus million dollars last quarter. You know it's sad, methane gas owners have never been treated right. Everything has been against them. And it comes to the point when the gas people come on your property you never know whether you can even believe anything they say. First it’s the land belongs to them and next the gas belongs to them. They don’t prove it. You prove that you own it. We’re not going to prove it, you prove that you own it and that’s wrong. I mean, we’ve had

our land. We've had everything taken from us. And as I look at these people that come around and do this, I just think to myself I hope each and everyone of you who participate in this one day have the great opportunity to own something, pay tax on something and enjoy something for a period of time and have it taken away from you and realize what it is to feel that emptiness of people taking what belongs to you. It's not a good feeling. It's sad. You know, and I am so glad that my father didn't live to see what has been done to our land, what's been done..how many times we've been lied to. And I hope you'll bear with me. I'll be very short on this. But I want to tell you some things that's happened just recently that has come to light that bears to everything that's said. It's about how many..how much you take of it. First thing, they come in and they give you contracts that say we want a 50 foot right of way, but we got 75 foot that we can use under construction but they cut it 100 to 125 foot. Okay, I got into that argument but they blew it out of the water. They said, oh, there's another contract there that said we're going to put a gas line. We didn't put footage on it. We can cut it as wide as we want to. They don't explain that to the people. And I'm going to make it my life's ambition to help those people. Any people in Buchanan, Dickenson, Southwest

Virginia that I can help I'll help. I'm not a lawyer. I'm nothing but an average person. But I feel so sorry when I see these land owners. And so many of them...and I've got pictures here of homes of people who they've taken their gas rights, who they've taken their land. And so many of them are people who you probably wouldn't go in and sit down in the house you would think it was so bad that it's not something you would have and you're taking everything else. I don't see how you could have a heart and continue doing this. And I applaud this Board that is looking into taking these steps today and I hope you will vote this away. You know, I see so many times that they come in and just the other day they come in and they cut timber across the property. Well, I said listen it's not projected, that's not what you projected. You cut a 100 foot right of way through this hollow that wasn't projected. Oh, the people that's doing the construction made the mistake. We're sorry. All right, yesterday I go back and they had dug a gas line for 600 to 800 feet and they said the contractor comes and tells me, oh, we made a mistake. We're sorry. We made a mistake. We put the gas line in. But said, oh, we took it out. I said that's fine, I'll find out if you took it out. They said, you will. I said, yes. I said, I will be grading it to find out if you took it out. He said, oh,

there may be pieces of it still yet there. I said, it doesn’t matter. I said, I’ll hook to it...I'll get a dozer, I’ll hook to it and I’ll pull it out. Oh, you can’t do that. They said, we left all of the line that we put in there. They said, it's all still there. We just capped the ends of it off. In my opinion, that was another lie that was being told and eventually they will put gas down that side of our property. But I will pull it out, I promise you. But we have been lied to so many times. This costs that they’re adding up, there’s so many holes in it. There’s so many things that they’re doing to our people. Please, and I want to invite anybody and everybody that will go with me in January, February I want to go to Richmond. I want to get enough people to lets go in front of the legislature, let’s try to get these laws changed. Let’s get the rights back to the land owner. Let’s go to the Senate. Let’s go to Washington, D.C. Let’s try to get it back. People it's wrong and it was never meant to be this way. I applaud this Board and I know a lot of times that we’ve come before you and expect you to do things, but I want to leave you with one other thought and this comes to this Board, I just went through an ordeal where they put a gas well on the edge of the property. I said, listen, you’re on my property. CNX said, no, we’re not. We argued about it.

They come back and they resubmitted a permit to you because they moved it back 30 feet away from my property line. They never sent me any notice that they were going to put a gas well next to my property, on my property or anything. They went through our property, never did do this. They moved it back. Now, there’s a request for you to approve, I don’t know what they call it, but they said they had to bring it back to you to get you to approve it and that you would approve it and that I couldn’t stop it. Well, I never got any notice of it. They said I didn’t deserve a notice of it and I would not get a notice. But this is wrong. This is how we’re being treated. This is how the land owner is being treated. There is a lot of people that is turning over in their grave seeing what’s happening to the land and to the people. And the sad thing about it, how many people out there that cannot get out, does not have a voice, can’t go, has nothing else. This land is all they had to give to their children, but it's gone. And you know when it's taken it's taken forever. We used to coon hunt on the property. We used to deer hunt, squirrel hunt. We can’t even get through our property. They have built a berm through it and we can’t even get down through it. And I asked them about it. They said, oh, you’ve got to stay off from our road if you’re going to damage it. Then I said, listen

what's going to happen if one of these people hunting falls over all that stuff you've piled up here. O h, that's yours, you're responsible for it. This is what CNX's people told me. And they looked me as we were walking back from this and I said, listen, I can't believe that you people would do people in Buchanan County like this and then they looked at me and looked at the hay field that my uncles and them had, they live on $400 a month, they looked at it and said just be thankful we didn't build a road through the middle of that hay field. Hey, I got it on tape. They let me tape them say it. I thank you. Please, please vote.

PEGGY BARBAR: Thank you, Mr. Ratliff. Let me remind you that if you're here to offer public comment on item number one please do your best to keep your comments relative to post production costs. Kyle Robinson?

KYLE ROBINSON: My name is Kyle Robinson and I live at Whitewood, Virginia. Listed is a few things that CNX Gas Company don't need to do. First, they took my gas. I was force pooled over my objection. They had no right to take my methane gas. They didn't own it nor did they have a lease or any kind of agreement with me. Number two, under Virginia Code 451-361-22, one-eighth of the proceeds were to be escrowed. It didn't say transportation deductions were to be taken. So, methane gas owners are due the full one-

eighth from escrow plus interest, which I never got. There is no Virginia Law or statute giving CNX Gas Company the right to take transportation deductions. The Virginia Gas and Oil Board don’t have a right to allow CNX Gas Companies to take transportation deductions from methane gas owners. For 135 months, CNX Gas Company took an average of 44.5% for transportation, also an average of 2.69% for taxes. This is just unbelievable. How can Virginia Gas and Oil Board allow this? One month CNX Gas Company took 97.65% for transportation plus 3% for taxes. After all was said and done I owed them for taking my methane gas, which they didn’t own in the first place. This is just outrageous. How can CNX Gas Company and other gas companies that this is reasonable and appropriate? How can the Virginia Gas and Oil Board allow this? Methane gas owners has never been treated their rights fair since day one. We should be getting paid 25 to 30% for our methane gas instead of the 12.5%, which we don’t even get. GeoMet Gas Company operating in Virginia doesn’t take transportation deductions. Why should CNX Gas Company be allowed to take transportation deductions? In the Tony case of May 23, 2006, a West Virginia case, the Supreme Court of Appeals in West Virginia ruled that gas companies couldn’t take transportation deductions. Why should CNX Company be

allowed? It is so easy to see that CNX Gas Companies has taken advantage of the poor people in this area who own their methane gas. This is just unbelievable. As a United States citizen and a United States veteran, I think it's time that the Virginia Gas and Oil Board take action to eliminate transportation deductions starting from the time you are force pooled. I will close with a quote from Proverbs, “Rob not the poor because he is poor.” Thank you.

PEGGY BARBAR: Thank you, Mr. Robinson. Jessica Jones.

DAVID ASBURY: Madam Chairman, the center has offered at your will and the Board’s will to move down to the main lobby area in the larger room downstairs to allow to accommodate people. It’s up to you if you’d like to do that. What’s your wish?

PEGGY BARBAR: Can we not get them to bring chairs in?

DAVID ASBURY: I don’t know.

MARY QUILLEN: There’s a limit on the number of the seating that this is approved for and we are over the limit.

PEGGY BARBAR: Well, if that’s the case then we don’t want to violate any rules of the house.

MARY QUILLEN: And they have offered to do this because there is seating for just slightly over a hundred.

PEGGY BARBAR: Let's do that.

DAVID ASBURY: It would take 20 minutes she said to do that.

PEGGY BARBAR: We're going to take about a 15 minute break.

(BREAK.)

PEGGY BARBAR: We're going to delineate a little bit from our agenda and let our Honorable Phillip Puckett make some public comments. So, if you'll come forward, Mr. Puckett.

PHILLIP PUCKETT: Thank you. And I appreciate the courtesy to speak just briefly. I apologize to all of you here that have come to speak in the public comment section concerning this and I hope that I've not taken some of your time. I want to speak directly to the Board on a couple of issues that I think are...and I'm going to try to hang to number one, that's what I'm going to talk about. In the last thirty to forty-five days, I've had significant public comment to me and my senate office in Tazewell concerning post production charges. I was not around when the Gas and Oil Act and the decision was made about splitting the costs and the production of the gas on a seven-eights/one-eighth basis. But as I have tried to understand actually what was contemplated by those rules at that time, it seems clear to

me that that should have been a seven-eights/one-eights even split without anyone adding to or taking away from the gas that belongs to an individual. You heard Mr. Kyle Robinson say just a few moments ago, he's probably not getting anything for his gas because everything is being deducted after his one-eighth is identified additional costs and the post production piece are getting into anything that he might get. Now, I don't know how you know ramped that might be or if that's just an isolated situation. But what I would like for this Board to consider there's plenty of evidence not just in Virginia but in other states that deal with this issue where that's real clear whether you can do that or whether you can't do that. One of the issues that's been brought to me by the people who I represent is, we don't have the resources to fight any gas company and make a case for what they should be doing or shouldn't be doing. We have to go through the Court process. We have to hire attorneys and things. We are just at a disadvantage. It is my understanding that maybe this Board has an opportunity to right that situation or at least make it clear as to what can be deducted or should be deducted from the one-eighth figure, if any. So, I would ask the Board this morning to, I know you can't do it today probably, but you're going to be asked to consider a motion. I don't know what you're

going to do with it, but I would certainly ask that you take that into consideration. There are a lot of people who I think you're going to hear from and already heard from and I am hearing a lot from them myself that feel like they're just being taken advantage of and no one really is you know sticking up for them or caring about what's happening. As I've looked over this for the last twelve to fifteen months, just this issue, and even before that working with the Gas and Oil people concerning severance and everything else and values of wells, I felt a sense of cooperation. And what I've heard in the last forty-five days is that's deteriorated to almost nothing. I hope Ron Ratliff doesn't mind, he's not in here, but I seen him out here. When a person of Ron Ratliff's statute stands up in a public meeting and says what he says, I cannot ignore that because I know who this guy is and I know what kind of person he is. Now, if we're having a communication problem that's creating the kind of problems that he's talking about, I would say to this Board we can do better than that and we must do better than that. Now, I'm probably the last person who wants to see a revision of any kind of oil and gas regulations because that takes a long process. Somebody will want to study it for two or three years and that to me really is not the answer. But what I'm looking for is a cooperative

effort on the part of gas and oil people, the general public and this Board to fix this problem. It's clear to me there are issues out there that need to be addressed and must be addressed. I want to say to you this morning in no threatening way I want you to address it. If you don't then you're going to force the General Assembly to deal with this. So, my message today is take what you hear at heart because believe me there are problems out there that the industry needs to address, that the General public needs to address and I think this Board needs to address. One other issue that I want to talk about sometime later that I think I hear a quite a bit about, it does not pertain to number one, but I think it's a linked to number one because it's the same issue that we deal with and that's the escrow money. I've been in a Senate for ten years and I've watched that figure grow, grow, grow and grow. I've had people call me and say I'm going to be dead and my family members are going to be dead. There will be some heirs somewhere if they ever come back and claim what belongs to them. But there's a way to fix that and do something about that. And I want this Board to take a look at that and see what possibly could be done to distribute some of that money that rightfully belongs to the people who own that gas. We don't dispute that, but we don't know who we're supposed to give

it to. I think we can work that out and work through that. That’s too much money to be laying on the table for no one, no one using it except for whoever is got it on deposit at their bank. And by the way, it's not First Bank and Trust so don’t worry about that. That’s a personal disclosure. We don’t have any of that. But I want to thank the Board for giving me a chance just to share with you and I want you to know that I’m not here today because I’m trying to create problems. I’ve heard from the people who I represent. I’m here to help try to solve problems. I’ll do that in anyway I can, any support that I can give to the Board to the Gas and Oil people and to the citizens in which I represent. Thank you again for allowing me to be here.

(Applause.)

PEGGY BARBAR: Thank you. Jessica Jones.

JESSICA JONES: My name is Jessica Jones and I am here today representing Hershel McCoy. And he has come to the problem of being in one of these force pooled instances. And I’m just here wanting to reiterate most of the thoughts that have been presented pretty well today but it's...I just wanted to reiterate how unfair it is that the post production costs to be placed on the one-eighth share that the methane gas owners get, they get so little of that whole big pie that I believe if someone is going to end up having

the pie or selling the pie and getting the main profit out of it, as it was mentioned today, then they should not only have to have the cost of the making of the pie but also getting it to the market and the selling of the pie because they're the ones whose going to be benefitting the most. I don't really believe that I can add too much more to the thoughts that were brought here today, but I just wanted to urge the Board to please vote to prohibit the post production costs coming out of the royalty share.

PEGGY BARBAR: Thank you, Ms. Jones. Martha Smith? Ma'am, please state your name for the record.

MARTHA SMITH: Martha Ellen Smith. I'm here to talk about the Linkous Horn heirs and the O. H. Keen heirs that we are involved in. We've been battling it out for about twelve or fifteen years and we're back as no more than we started with. I mean, we can't get...we can't get anything accomplished. They don't want to pay for the...they don't want to fix up the things where we can get paid. We never give them no right to go on our property. They went in and drilled so many wells and that's what my daddy had worked out and left for all of us kids. But as of now, I couldn't live there because it is so bad. It's ridiculous to just walk through the fields and see where we used to play and have corn and crop and stuff that we raised

and now you can’t get through it where they have drilled the wells and left sludge pools. I mean, it's just filthy nasty. And I just wish that the Board would take this into consideration and see what they can do and help us because we owned it. We owned the property. And now if we have to pay for the gas and oil and coal methane what have we got? We never had anything. We might as well not had our property. I think we should have something in common. We worked for it back when he worked it was maybe fifty cents to a dollar an hour. Now, what is it? And he never got any benefit out of it, but just live and raise crops off of it and all of his kids, we all worked on the farm but we’ve never got a penny out of the Gas and Oil Board for anything. But I’d just like to see somebody help us and try to get something done. I want to be fair about it but I don’t feel like we should pay anything out of the escrow account.

PEGGY BARBAR: Thank you very much.

MARY ELLEN SMITH: Thank you.

PEGGY BARBAR: I’m going to call the next person who’s Martha...forgive me Billian?

MARTHA WILLIAMS: Williams.

PEGGY BARBAR: Williams. And also Mark Swartz be ready on deck, so we don’t have so much travel time.

KATHERINE JEWELL: We're having trouble hearing

back here. So, if you could ask people to speak into the microphone so we could listen.

PEGGY BARBAR: When you come down, come to the back of the Board and you won't get tangled up in some of the cords.

MARTHA WILLIAMS: My name is Martha Williams, Salem Virginia. I'm one of the Linkous Horn heirs and we're here today talking about expenses. And I think---.

MARY QUILLEN: Speak into this, please.

MARTHA WILLIAMS: I think Juanita did it the best of all and I would like to talk about expenses and this one-eighth that we are getting. And I really would hope that the Board would see to it that this one-eight stays in place and in tact because this is very expensive on us also. This is costing us like a day from work, a tank of gas. You know, we've made...I've been making trips here myself for eleven years and I agree with the Congressman, the escrow account has grown and grown and we've never received a dime from it. I'm sure we don't have...our figures are not in the millions like the oil companies, but I heat my home with natural gas and I wish you could come and see some of my bills. I also use bottled gas for my fireplace, which only holds eight hours of heat and we have to refill constantly, which is very expensive. I would not think they are losing

any money anywhere. I do not think it's necessary to take this last little portion that we have been allowed to keep. That’s all I have to say. Thank you very much.

PEGGY BARBAR: Thank you, Martha. Sara Peterson be ready to come on down and be ready to go after Mark Swartz.

MARK SWARTZ: Perhaps move this easel. My name is Mark Swartz. I’ve represented CNX Gas Company and a collection of operators for many years. I finally get a chance to say that I feel sort of like Paul Harvey and I would like to tell you the rest of the story, which may not resonate well with the group, but then again it might. As I sat here listening today, and I’m sure I’ll hear more of this, the fairness issue seems to me to be...and I don’t have the best marker here, but the fairness issues seems to me to be what I’ve been hearing about, it’s just not fair what the legislature did to us in 1990 and you’re helping them as a Board be unfair to us as well. And I want to address what the legislature actually did in 1990 because we really haven’t heard about it today. Let’s take a square unit with 80 acres unit and let’s just pretend it's an Oakwood unit. And let’s say that some operator comes in here to force pool this unit and then let’s look at what the legislature did. And let’s say we’ve got one tract, which is 40 acres, and then we’ve got a 10 acre tract and we’ve got a

30 acre tract. The legislature said when you force pool a unit, the people in the unit...and let’s assume this is leased, the 40 acres is leased, let’s assume the 30 acres is leased and we’re pooling 10 acres, which is something that happens here all the time. What did the legislature say the choices of this person that owns this...or this family that owns the 10 acres was? They gave them three choices and all we’ve heard about today is one. The first choice that they gave somebody who is in a unit is you can be an operator. So, you can remember we’ve been talking about the one-eighth, which is the royalty interest and we’ve been talking about the seven-eights, which is the working interest. And what the legislature said to operators and this for every order they enter has this option. I’ve been here since 1990 and I’ve never seen a Board order come out of this Board that didn’t give a person who has an interest in a unit an opportunity to operate that interest. Now, what does that mean? That means somebody owns 10 acres of mineral interests or gas under this unit. And the Board says, you’re going to get your one-eighth royalty interest no matter what or the legislature said you’re going to get your royalty interest, your one-eighth, no matter what, but if you want the other seven-eights of the gas you own that’s in your 10 acre tract participate in the unit. If the cost to drill

the well is $250,000 and you want your seven-eights participate in the unit the operator cannot prevent you from buying into that unit by paying 10..12.5% of this so roughly $36,000. If you want to own your one-eighth and your seven-eights, you can do it. You can become a partner in this unit and you can own all of it.

Now, the second option, for people who don’t want to write a check. The second option that the legislature gave people is to be a carried operator and what that says is, and it's in the statute, the Board puts it in their orders, but it's not something they have a choice about, it's in the law, it says if you opt to be a carried operator you start out getting your one-eighth royalty interest because you’re always going to get that and after because you’re not going to pay any piece of the well costs, so after 300% of the well costs are recovered you back into the seven-eights as a partner. That’s the second option. So, if you don’t want to write a check to contribute to the costs of drilling the well then that’s the only difference really between option one and option two. If you don’t want to write a check to be..to help drill...pay the costs of drilling a well your second option is I’m not writing a check but I want to back into a working interest and when you’ve recovered your capital by a ratio of 300% I back into

the seven-eights interest into the working interest in that well. All we've heard about...we haven't heard about this today. All we've heard about today is option number three is if you don't do anything you're going to be deemed to have been leased and you're going to get a one-eighth and that's it. But that's what the legislature actually did.

Now, let's stay with the fairness issue in this context. If I am the guy that has the 10 acres and I don't have a lease these people are leased, these people are leased and I've got this 10 acres and I'm force pooled. If I come up with 10% of the costs to drill that well so that I can have 100%, the one-eighth and the seven-eights, I don't want to pay the costs of transporting these people's gas to market. I just want to pay the cost of transporting my gas to market. I mean, think about that. That's what we're talking about here. We're talking about a situation where you've got a collection of people in a unit, let's stay with the three people, we've got somebody with 10 acres, we've got somebody with 30 acres and we've got somebody with 40. And these people are leased and this person is a participating operator. If it costs a dollar, and I'm just picking round numbers because I want to do a little bit of math with you and it's a lot easier to do round numbers in my head. Let's say it costs a dollar to get the gas from

the well in the unit to market. I don't want to pay more than 10/80, that percentage of this dollar, because these people need to pay the rest of it to get their royalty gas and their working interest gas to market. So, if people participate under the statute under the oil and gas Act and become operators they're going to share costs on the royalty interests and the working interests and I'll just flip it, why would it be fair for the 10 acre guy to pay to transport the 70 acre gas? It's just wrong. Why should the 70 acre people pay to transport the 10 acre guy? It's just not right. There's no such thing as a free ride. Now, in this context, well let's stay with fairness, and this is close to the last point I want to make, somebody earlier said if you get on the DGO website there was roughly, I think this was in 2007, roughly 100 million bcf of...not bcf, mcf of gas was produced from all of Southwest Virginia. And when I looked at those statistics I think the only production in Virginia is from Southwest Virginia. Of that 100 million cubic feet of...100 million units of 1000 cubic feet of gas 87,500,000 is the working interest. In this 10 acre example, that guy has opted to participate and become a partner in that well or if he had opted to be carried, which was the second example, he would have a piece of that 87,500,000. If all he's got is a royalty interest, he would

be at 12,500,000. Now, there is a substantial cost to get 12,500,000 units of 1,000 cubic feet of gas each to market. That's a huge volume of gas. And why is it unfair for the royalty interest 12,500,000 units to pay their fair share of whatever the cost is? I mean, if the cost is a dollar these people pay 87,500,000 and these people pay 12,500,000, why is that not fair? Why is that not reasonable? Why is that inconsistent with what the legislature had in mind when they gave us three options? So, I guess my view is, I am interested in fairness and I am interested in why it is unfair...let's...let's..I drive down here from St. Albans, West Virginia the day before these hearings. Would it be fair for me to pick somebody in this room and say next month I want you to pick me up at my house and take me to this meeting? I mean, that is literally what we're talking about here. Why is it fair for somebody other than the person who owns this gas to pay to get it to market? And I haven't heard the answer to that question. Everybody would like to have more income. That's our goal. But what's the fair answer to the question. Why is it unfair for the person who owns the gas to pay a pro rata share of the transportation costs? I don't know why that would be unfair. Clearly, it was contemplated by the legislature when they gave these (the tape recorder machine stopped for a second). ...is

going on in the marketplace in terms of what is the mark...what is a look at the marketplace show us with regard to what does the typical agreement provide. My client has roughly 5500 leases in Southwest Virginia. All of them except four provide for deductions in calculated royalty. I don't...I only represent one client. So, I don't know what the deal is with the other operators. But I come to these hearings every month and I've been coming here since 1990 every month. And normally when you're listening to what is the percentage that people are looking to pool in a unit, I mean you actually indirectly address or answer this question pretty much every...every month. I mean, most of the units you pool the majority interest in those units has already been leased. I mean, there are the occasional units where half of it is unleased and a lot of times and there are a couple on the docket today actually that I'm involved in, but if you look at those the unleased party that has a large interest is an oil and gas company. So, basically the marketplace, in my view, and I think if you've been on the Board for a while you've actually experienced this which you probably have not thought about it in context, the marketplace is consistent with a one-eighth royalty, it's consistent with leases that provide for deducts. So, if you're looking at a body of what's the evidence of what is

going on in the marketplace because shouldn’t we be replicating what is going on in the marketplace. If you’re looking at that it’s the exact opposite of what you’re being asked..of what you’re being asked to do here. And the last thing that I would talk about is when you look at these issues in context, the legislature made a decision, which was a policy decision in 1990 that people are on both sides of, and that policy decision that the legislature made was we want to foster oil and gas development in this state and how are we going to do that. And over the decade of the 1990s, virtually every state that had coalbed methane wound up passing a law to deal with that and Virginia, frankly, was one of the first. So, Virginia just...the legislature decided we are going to foster coalbed methane development in that state and we made that policy decision and we can argue about that forever because that’s just a choice, that’s like I would rather have a red car instead of a black car but the legislature made that choice. But then what they did was, okay if we’re going to make people develop their gas and we’ve heard a lot of...we hear a lot of complaining about that, but that’s the choice that the legislature made, if we’re going to make people develop their gas or make them allow their gas to be developed what choices are we going to give them so they at least having

made that first tough decision we at least try to be fair. So, in context I think when we look at what the legislature has actually done, when we look at the opportunity of everyone who has one acre or ten acres to have eight-eights of their gas. I mean, this could be one acre, you know, if you want to have eight-eights of your gas when you're being pooled, pony up one over eighty of the development costs and you are a one-eighth partner and you get all of your gas subjected to the drilling costs, which an operator has, the operating costs which an operator has, and obviously subject to transporting all of this gas to market which you are paying your allocable share from. Thank you for the chance to address you.

HERSHEL McCOY: Who keeps the books on that, though?

PEGGY BARBAR: Our next person is Sarah Peterson. Sarah? Sarah is not here. Thelma Osborne?

SARAH DAY: I'm Sarah Day.

PEGGY BARBAR: Okay, Sarah Day. Sorry, I thought that was your middle name.

SARAH DAY: No.

PEGGY BARBAR: Okay, Sarah, I apologize. Thelma Osborne, please be ready. I'd like to remind you to be quiet and courteous to all the speakers as they are giving

their comments.

SARAH DAY: My name is Sarah Day. I've got a cold, so I can't talk too good. But anyway it's good to be in here today. I don't want to take up too much time. And like Mr. Swartz said, you know, being fair, if Mr. Swartz didn't get paid, he wouldn't be coming all this way down here, but we've come for 15 years without any pay. And if you take part in what he was talking about, then with the hidden costs you would still end up with nothing. So, I feel like I'm here today to speak for the Horn heirs that don't feel like they should take any more of the little 12.5% that we was agreed on to start with. And for fifteen years we've been traveling. I travel two and a half hours, but I get no pay for gas or whatever, but that's not the point. But I do feel like the gas company does need to be brought forth and pay the people their escrow and not take any more out of it. So, that's about all I've got to say. And I thank you and like me I'm 70...soon be 73 so something needs to happen shortly. And I thank you.

PEGGY BARBAR: Thelma Osborne?

KENNETH OSBORNE: Madam Chairman---.

THELMA OSBORNE: I'm going to send him down to talk for me because I don't---.

KENNETH OSBORNE: My name is Kenneth Osborne.

COURT REPORTER: You need to come down here.

KENNETH OSBORNE: My name is Kenneth Osborne from Roanoke, Virginia. I'm a Linkous Horn heir and O. H. Keen heir and also designated spokesman for Linkous Horn heirs. Again, we thank you all, Madam Chairman and Board members, for allowing us this opportunity to speak today. With all due respect, Mr. Swartz, you are a far cry from Paul Harvey and you did not give the rest of the story. I was going to take a lot of notes today, but the first thing that I heard right off the bat was and I want to make sure that I'm right before I say anything. In 2007, there was 80 million dollars in royalties paid out, was I correct in hearing that earlier? Okay, thank you. Who got the royalties? I'm very confused about where the royalties are going. As most of you all in here, you're either in a...you're entered in a force pooling, is that correct? Can the Board see a show of hands of how many people is in a force pooling? Okay, this 8% that goes into force pooling for us to cover our interest this number one issue today is about the post production. I'm totally against it to start with because not only is it unfair, when it comes to the one-eighth royalty we're not even getting that. And the reason I say that is because not only are we not getting the royalty, the..in our case we have two interests, O. H. Keen and Linkous Horn heirs. I've

heard Mr. Swartz sit up here and talk about fairness. In all due fairness, this right here is another issue that is going to be covered today but this is a package that we receive in the mail to come to these Board hearings to object or whatever. Personally, a lot of it I can't understand and I would say that a lot of people in here do not understand anything about it. Mr. Swartz merely presented some more smoking mirrors with his deliverance of his opinion on the post production. The bottom line is...and I said with the one-eighth that is supposed to be set aside for us we're not even getting that, the reason I'm saying...well, sorry, I don't have this to pass out to the Board members, but in the terminology here it's clearly stated, in one instance right here, that one of our acreages that we're involved in is 51.07 acres. The top line states that Hurt McGuire Land Trust 143.6 acres coal only. Down here Linkous Horn heirs all minerals except coal. CNX has presented us an offer and some of the...some of my heirs, my kin people, that were duped into signing this it states that if we will split half of what they say that's in the escrow account that we don't see any out if we would split half of that with Hurt McGuire then we could receive that money. So, again, I'm confused there. And as far as these post productions and as far as the royalties, not only do we

not...I don’t know if any of us has really received any money amounting to anything, but not only that the bottom line that even the one-eighth is supposed to be protected and saved for us, they want us to split half of that with a company that from the paperwork that I have here the only thing that shows them having an interest in is coal, not gas and not coalbed methane. Again, I would trust that you all would take a serious interest in this and, I mean, I know who is supposed to be protected in this but it has been a long time since we’ve had any protection from the big oil and gas companies and again most people not only do not have the resources to battle the companies, the terminology is just ridiculous for somebody to understand. Thank you.

PEGGY BARBAR: Patricia Stilwell? Kenneth Osborne be ready.

PATRICIA STILWELL: My name is Patricia Stilwell and I’m representing my mother, Nancy Stilwell, the Linkous Horn heirs and O. H. Keen heirs. And we oppose the zero post production. I don’t think it is right to be forced into something that we didn’t agree to to start out with. They came onto the property without permission and then wanted us to go into an agreement. And like he said, what if they were in our shoes, let us have the 87 something percent and let them have the 12.5%. Will they agree to

that? No. They would be fighting us the same way. And then the 12.5% that we're getting they want us to split it again? I still don't that's right. And I do appreciate if you all would take this time and opportunity to protect the people and the families. My mother is not well. She can't make these meetings. I'm here on her behalf and I would like her to see something before something happens to her. And I stick to the rest of my family too.

PEGGY BARBAR: Thank you very much, Ms. Stilwell. Kenneth Olson.

KENNETH OSBORNE: Madam Chairman, that's Kenneth Osborne.

PEGGY BARBAR: Osborne. I've got Ronnie Osborne and Jeffrey Clevinger be ready.

RONNIE OSBORNE: Madam Chairman, I'm Ronnie Osborne and I'm one that they duped into signing a four page contract from the O. H. Keen heirs. It was four pages and when it come back and put on record in Grundy it's sixteen pages. And they want 50%, which a four page contract turned out to be a sixteen page contract and I've got a copy of it. They was talking about fairness. That is fairness? I've sent my handwriting to the FBI to have it analyzed. There is a lawyer working on it. What, he talks about fairness? I've got a concrete driveway broke all to pieces on my own

driveway and they're threatening me over busting my driveway up. And fairness? Fairness? Where in the world do they get that word? I've had the law called and everything else over my driveway. I ended up and got scared into selling them a piece of property that they took a D9 dozer through that I owned and it's fairness? A four page contract turns out to be a sixteen page contract? I've got a lawyer working on that which...which I don't know who did it, but looks to me like there's some fraud somewhere. Fairness. Fairness would be giving us our 12.7% or whatever. Like my niece said there...my cousin, give us the 87%, I'm sure that we could afford to drill our own wells if we get 87 whatever, and then give them what 99? Well, like Kyle Robinson said, he went in the hole. Look at my contract. Mine is gone. If the lawyer don't get the four page contract worked out, I've lost everything on their fairness. That's their fairness. A four page contract, sixteen pages on record in Grundy, Virginia and I'd love for the FBI to come back in our county and do another investigation to see what's going on. Like I said, my concrete driveway busted all to pieces and I'm getting threatened over my concrete getting broke. That's the fairness the company that their talking about. And that's all I've got to say.

PEGGY BARBAR: Thank you. Jeffrey Clevinger?

Lawrence Moise?

LAWRENCE MOISE: Thank you. May it please the Board, my name is Lawrence Moise. I'm the assistant county attorney for Buchanan County Virginia and I'm here today on behalf of the Buchanan County Board of Supervisors whose interest in this matter is to see that the rights of the citizens of Buchanan County are protected and upheld. Mr. Pete Glubiack pretty well summarized, I believe, what the county's position in this matter is in regards to the allowed post production cost be deducted from the royalty share of payments. However, I would like to emphasize what I think is probably the most critical point of this discussion.

Under the Virginia Oil and Gas Act of 1990, the force pooling provisions are the equivalent of a take of private property by state action. When that occurs in our country and in our Commonwealth there are constitutional protections that are triggered both under the United States Constitution and the Constitution of the Commonwealth of Virginia. Regardless of what any of us in this room think about what is fair or not fair, what's just and what's not just and those two documents in the United States Constitution is the supreme law of the land of the United States, the Constitution of the Commonwealth of Virginia is

a supreme law of the Commonwealth of Virginia and they control it. Both of those documents provide that when private property is taken by state action that there be just and fair compensation to the property owner. Now, the General Assembly has spoken to this issue. And, again, we could all agree or disagree as to what is fair or just but the General Assembly indicated that one-eighth was what the fair and just compensation would be to the owners of gas having their gas taken from them under this force pooling arrangement under the statutory scheme. And I don't think that the General Assembly provided for anything less than one-eighth, not a penny less than one-eighth. If the Gas industry cannot economically get the gas from the wellhead to market at whatever the market price is then my suggestion to the gas industry don't take the gas. Wait until the price is right and pay people what they're entitled to under the law and under the constitution of the United States of America and the constitution of the Commonwealth of Virginia. I applaud the vote of the working committee to eliminate post production cost deduction from the royalty payments and I would urge the Board to adopt that recommendation and vote to eliminate the post production costs from the royalty payments. Thank you.

PEGGY BARBAR: Thank you, Mr. Moise.

RONNIE OSBORNE: Ma’am, on my four page contract that was for the O. H. Keen heirs only and they took it and used it for the Horn heirs and any land that I own in Buchanan County.

COURT REPORTER: Sir, you need to come down here. We can’t hear you up in the back there.

RONNIE OSBORNE: I needed to clarify that.

PEGGY BARBAR: Sir, this is..this number one item is for post production costs.

RONNIE OSBORNE: Yeah. Yeah.

PEGGY BARBAR: And you are talking more of the agreement.

RONNIE OSBORNE: But what I’m saying though is if I don’t...if the contract is...the lawyer is checking that out and I’m supposing that the percentage on the cost but some of it is on the 15 acres.

PEGGY BARBAR: Briefly step down and make your comments into the microphone so that it can be recorded.

RONNIE OSBORNE: I wanted to clarify...I’m Ronnie Osborne. I wanted to clarify the 15 acres of land. It was in the contract I signed on the four page deal. It was on 15 acres of land, O. H. Keen only, it ended up being 16 pages on all lands in Buchanan County. I wanted to clarify that, yeah. I do oppose any royalty split.

PEGGY BARBAR: Frank Henderson and Kevin West to be ready.

FRANK HENDERSON: I apologize I've got...I'm on the back end of a pretty bad cold here, but I'll try to talk as clear as I can. My name if Frank Henderson. I'm with Appalachian Energy. We're a small producer in Southwest Virginia. I appreciate the Madam Chairman and the Board for addressing this issue.

A couple of things I'd like to address, first I'd like to talk about some statements that were made earlier that were not very accurate regarding the 80 million dollars that was paid out to royalty owners and then the analogy was made that 560 million dollars were taken as profits by the gas companies. Folks, let me tell you that the 560 million dollars, if there were 560 million dollars, would be taken as a payment for the investment of billions of dollars...you can laugh folks, but billions of dollars that have invested in this Southwest Virginia region to provide thousands of jobs in an area where there aren't very many jobs, okay. That's number one.

Number two, it was made...the comment was made that operators do not report the sales price of the gas, that's incorrect. Operators routinely report both sales volumes and price to the Division of Gas and Oil. Market at

the wellhead, an example was used of a piece of paper held up. The bottom line is there is no market if the gas is at the wellhead. You can't pull up with a truck and a bucket and load it in your truck and take it away. It has to be put into a pipeline, compressed, transported and brought to a place where it can be sold and used. To get from point A to point B there is an expense. And you have to realize that's the way it is. The analogy was used with Christmas trees, another analogy could use pumpkins. If you've got a pumpkin field you might be able to get a dollar for the pumpkins sitting in your field if somebody comes and picks it. Well, if it's sold at Walmart and it's a good sized pumpkin it's going to be $5. Well, there's a cost to get it from point A to point B. Through that distribution system, through Walmart's distribution system or whatever system it is to get it to the sales point where it's going to get the maximum amount of money for the product. That's what we try to do. That's what the industry tries to do.

Second, I'd like to address the pie analogy. That was very simple and effective, but a bit misleading. Number one, the operator basically pays 100% of the costs of compiling the ingredients and baking the pie if you want to look at the pie analogy. Okay. Ms. Juanita, with all due respect, I mean that was a great example, but there are some

costs of the one-eighth piece that goes to the royalty owners or the force pooled owners. Yes, there are some costs, but we were talking about some of the costs to get it from point A to point B that come out of that one-eighth piece of pie. But keep in mind that the gas company is not only putting the money in to drill the well they are also taking the risk.

Now, you know, we've not talked about the risk side. I can tell you we're a small company. We drilled a well three years ago in Dickenson County. We ran into drilling problems. The well was originally AFE for about $450,000 if we spent over $730,000 and the well makes about 3 mcf a day. We will never receive payout on that well, okay. There is risks involved in this process, folks. Okay. And what we're talking about here if you want to...you have options if you're force pooled and I'll try to make this as simple and easy for everybody to understand, but you have options. If you are force pooled you can lease. Okay, you have an option to lease. If you don't want to lease that's fine. You can be a carry...an operator by virtue of being a...excuse me, by virtue of participating and paying your fair share as an equal owner. And Mr. Swartz explained that. I'm trying to explain it again. But those are...those are two of the options. Okay, the third option, and that

one, like he said that involves bringing out the checkbook and you would pay your fair share of whatever that is of that well then you have that opportunity. You can bring out your check book. You can participate. You can also participate in the risk. Okay, if the well doesn't turn out then you share in the risk. Okay, if the well turns out to be a great well you share in the profits. Okay, you become an owner. The legislature has given everyone that option. If you're not leased you have these three options. Okay, the third one is to take a carried interest. Okay, and the carried interest is after either 200% payout or 300% payout depending what the circumstances are, say the well costs $250,000 so at $500,000 to payout you could back end and become an owner. So, it's not like you aren't given options here, you are. And everyone needs to understand that. Okay, it has been portrayed that, you know, that the mineral owner is not given options and being walked over by some of the companies. And some companies may be walking you over, I don't know. We're a small producer. I'm just trying to stick up for the industry in general here. I'm the past president of the Virginia Oil and Gas Administration and I just want to state some claim or makes some facts known here. Okay.

Finally, I would just like to make the comment if

you have...not all companies are alike. If you have a problem with a company regarding post production expenses there are remedies available in the law to address those expense issues with the Board. Okay, no one has brought that up, but you have that option. Okay, and everyone needs to be well aware of that and also needs to understand that not every company is a villain here. Okay, there is a lot of companies like mine that are out here trying to drill a few wells, free jobs and generate revenue not only for you know the local communities, but also for the royalty owners. The producers in this state paid over 20 million dollars into severance taxes alone this past year that go directly into the communities where the production comes from and you can talk to your county officials, but that’s how much money was paid in from industries. So, there’s big dollars involved here folks and big jobs and as an industry that’s viable. Let’s face it, how many industries in Southwest Virginia can employ 2500 people? Okay, and if you’re wondering...okay, you talk about the fairness thing. We talk about an industry that is very vibrant. If we didn’t have this force pooling ability somebody with a half acre tract up here, okay, in this 80 acre unit could say, I don’t want a lease. So, that half acre tract would control whether the rest of the people who want a lease and receive

a royalty could get that. Okay, that’s why the legislature came out with this so that you wouldn’t have parties that could prohibit the development of the resource and look what it has brought to Southwest Virginia. Okay, that’s the last thing I’ve got to say. I appreciate it.

PEGGY BARBAR: Thank you very much. Kevin West?

KEVIN WEST: Madam Chairman and members of the Board, my name is Kevin West. I’m from Equitable Production Company. Jerry Grantham and Jim Kaiser did an excellent job of demonstrating that the current order is fair and reasonable and should not be modified. So, I’ll keep my remarks very brief. I’ll try to not plowing any ground that’s already been plowed. I would just reiterate that I think it's important what Mr. Henderson has pointed out with regard to the options that anyone is...that is force pooled is afforded. Secondly, there was some mention I think Mr. Robinson mentioned the Tony decision from West Virginia. I think it's important to look below the surface of that decision and what it really addresses. In Tony, the West Virginia Supreme Court said that in instances where someone is a party to a lease that does not authorize deductions, deductions could not be taken. It does not say that post production expenses could not be deducted in calculating royalty. And the Board, in a particular instance we’re

talking about, in 1992 Carol Finley looked at the issue, studied the issue, studied it again in 1995 and entered an order which does allow those deductions to be taken. Courts in other states which have addressed the issue have looked at the issue of whether post production expenses should be allowed or should be allowed to be deducted and calculated in royalty and the majority of the courts that have looked at that issue have sanctioned the industry practice which allows that those deductions can be taken. And as Jim and Jerry mentioned that that's the case in not only the oil and gas industry and in many other industries.

The final thing that I would say, and I certainly enjoyed listening to everyone's comments this morning, I think that Frank pointed this out that maybe the issue that we're hearing about more than anything is that there are folks that believe that the deductions that may be taken are excessive. I know as a company we've looked at that and we think that Equitable...and we've done the math on it and think that our deductions have been reasonable. But there is a mechanism in the current order of the Board, which allows folks, if they think that in a particular instance the deductions that are being taken are unreasonable, allows that the person who is being force pooled and who is a royalty owner an opportunity to bring that to the attention

of the Board and that’s already in place. So, for those reasons I think that if you look at all of the facts and all of the circumstances the reasons that Jim and Jerry have set forth that the current order is fair and reasonable and we would request that the Board not modify the order. Thank you.

PEGGY BARBAR: I’d like to thank all the gas companies as well as well as the private citizens for your public comments today. And now I would like to ask the Board members if you have any additional comments or questions?

BILL HARRIS: Madam Chairman, let me just make a comment. I think that...of course, we’ve had a lot of information given to us, and I know the item does say prior to a final motion, I’m not sure if we’re at the point to make a final motion based on information we’ve received. Also, the cost committee is meeting on Thursday and, of course, it’s the purpose of that to discuss this issue and the inputs that we’ve gotten today. This is probably not the time to discuss those because we do have other items. So, I would suggest, and I don’t know if you want that in the motion, that we allow the committee...the post production allowances committee to have their meeting on Thursday and then generate a motion for the Board for the

December meeting if that's appropriate.

BRUCE PRATHER: I don't know. I mean, that would be difficult for me. Would that be around the 24th around Christmas, wouldn't it?

PEGGY BARBAR: 18th.

DAVID ASBURY: No, our December meeting will be December the 9th.

BILL HARRIS: No.

BRUCE PRATHER: The 9th.

DAVID ASBURY: Yes.

BILL HARRIS: But our committee meets this week---.

BRUCE PRATHER: Yeah.

BILL HARRIS: ---on Thursday.

BRUCE PRATHER: I've got a problem the first week of December. My wife is getting operated on---.

BILL HARRIS: Well---.

BRUCE PRATHER: ---up in West Virginia so I may be up there, who knows.

BILL HARRIS: Well, let me make a motion then that we not make a formal motion at this time in view of the information that we've received from all of the folks and we do appreciate your input. But I'd like to make a motion that...since there is a committee established to discuss this that this information be given to the committee and

that we have the appropriate discussion on Thursday and make whatever recommendations we would make for the December Board meeting.

BRUCE PRATHER: Would the transcripts of this meeting be available?

DONNIE RATLIFF: Let's do it in January. Let's do it in January and give us time to see the transcript.

BILL HARRIS: The suggestion is for January and I would modify my motion for that.

SHARON PIGEON: Well, that would be probably better because we have moved the December meeting up, a shorter period of time between now and the committee later this week. So, the January meeting would probably be a better date for that reason.

DONNIE RATLIFF: I'll second that motion, Madam Chairman.

MARY QUILLEN: Madam Chairman, I would like to have an opportunity to request some additional information. So, moving it to January, I think, would be more appropriate.

PEGGY BARBAR: So, we're going to accept Bill Harris' modified motion to---.

BILL HARRIS: Yes.

PEGGY BARBAR: ---study this further and Donnie second and also to bring it on the docket for January.

Donnie Ratliff's second. Any other discussion?

(No audible response.)

PEGGY BARBAR: Can I ask you to signal if you favor this by saying aye.

(All members signify by saying aye.)

PEGGY BARBAR: Anyone opposed?

(No audible response.)

PEGGY BARBAR: Any abstentions? Okay, the motion carries, Mr. Harris. Thank you very much. We're going to take about a five minute break to just get ourselves reacclaimated to the docket items. Since the snack bar has lunch ready we're gong to go ahead and take our lunch break. It's ten till 12:00 and so I'd like to see if we can convene, not take an hour for lunch, but take somewhere in the neighborhood of 45 minutes. So, can we do our best to try to get back by 12:35? 12:35, the next case will be Chesapeake Appalachia. Okay, thank you. See you at 12:35.

(Lunch break.)

PEGGY BARBAR: Okay, ladies and gentlemen, we are now ready to begin. Docket item number two, a petition from Chesapeake Appalachia LLC for repooling of a horizontal conventional unit, docket number VGOB-08-0715-2287-01. Would the parties in this case please come forward?

JIM KAISER: Madam Chairman, Jim Kaiser, Dennis

Baker and Stan Shaw on behalf of Chesapeake Appalachia.

(Dennis Baker and Stan Shaw are duly sworn.)

JIM KAISER: We had originally filed this for repooling in October and then realized that we had some parties in Tract 4 that we had not properly noticed. So, we continued it until today and revised exhibits that I passed out reflect those additional parties in Tract 4, it reflects some changes in percentage interest of ownership in Tract 8 and it reflects about 5% additional leases we picked up in the unit. So, with that being said, I'll start with Mr. Baker.

DENNIS BAKER

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

DIRECT EXAMINATION

QUESTIONS BY JIM KAISER:

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

A. Dennis Baker. I'm employed by Chesapeake Appalachia, LLC, senior landman.

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

A. Yes, they do.

Q. And are you familiar with the application seeking to pool any unleased interest in the unit for Chesapeake well number 826879 which was dated August 15, 2008?

A. Yes.

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

A. Yes, we do.

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

A. Yes.

Q. What is the current percentage of ownership interest under lease to Chesapeake?

A. The current interest leased is 90.011124%.

Q. And the current percentage that remains unleased?

A. The percentage unleased, 9.988876%.

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

A. Yes.

Q. And we have identified all parties owning an interest within the unit, there are no unknowns, is that

correct?

A. We have a couple of unknowns that we cannot identify.

Q. Okay. Were diligent efforts made to check and locate those unknown respondents including primary sources such as deed records, probate records, assessor's records, treasurer’s records and secondary sources such as telephone directories, city directories, family and friends?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes, I am.

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

A. Five dollar per acre consideration, five year term with a one-eighth royalty.

Q. In your opinion, do the terms you’ve

testified to represent fair market value of and fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

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

A. Yes.

Q. Do you recommend that the order provide that elections by respondents be in writing and sent to the applicant to Chesapeake Appalachia, LLC, 900 Pennsylvania Avenue, Charleston, West Virginia 25362, Attention: Mike Roster?

A. Yes.

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

A. Yes, it is.

Q. Do you recommend that the order provide that if no written election is properly made by a respondent be deemed to have leased?

A. That's correct.

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

A. Yes.

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

A. Yes.

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

of actual completed well costs?

A. Yes.

Q. Should the applicant be allowed 120 days following the recordation date of the Board order and thereafter and annually on that date until production is achieved to pay or tender any cash bonus becoming due under any 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 well costs then that election to participate shall be treated as having been withdrawn and void?

A. Yes.

Q. DO you recommend that where a respondent elects to participate but defaults in regard to payment of well costs then that respondent shall be paid any cash sum being due within 60 days after the last date on which that respondent could have paid those costs?

A. Yes.

Q. Does the Board need to create an escrow account for this unit?

A. Yes, they do.

Q. And that’s for the two unknown interests.

What tracts are those?

A. It’s Tract 8.

Q. Yeah, the Board needs to escrow...create an escrow account for the unit for any proceeds attributable to Tract 8, is that correct?

A. Yes.

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

A. Chesapeake Appalachia, LLC.

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

PEGGY BARBAR: Questions from the Board members?

BILL HARRIS: Yes, I have a brief question. Let me ask you about your Exhibit B-2 in the new handout. I just have a...I’m a little confused about a notation there. This is past the first ten pages that say 1 of 10, 2 of 10. It's passed that. It’s the second page of that. Down at the bottom is says dismissed and there are some folks that are listed as unleased and dismissed, but I’m a little confused about the notation here. Were these unknown or unlocateable folks? Let me let you get to the page. I guess, it’s the second page of B-2.

DENNIS BAKER: Those..those listed under the dismissed were originally thought to have an interest in the

unit, however the title indicated otherwise and so we're dismissing them because they do not have an interest.

BILL HARRIS: Okay, so it was just a coincidence that they were unknown and unlocateable in the unit?

DENNIS BAKER: Yes.

BILL HARRIS: Okay.

DENNIS BAKER: Well, we actually did find them. We dismissed them because they do not own an interest.

BILL HARRIS: Okay, thank you. I have no more questions.

PEGGY BARBAR: Call your next witness.

STAN SHAW

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shaw, if you'd state your name for the Board---?

PEGGY BARBAR: Excuse me. But did I---.

BRUCE PRATHER: Yeah, I had a question. On the thing we've got here it says that there are five tracts. Tract 4, 7, 8, 17 and 19 are the ones that have unleased parties. Is...since you've dismissed all of these people, is that the reason 8 is now the only one left?

DENNIS BAKER: Could you repeat that, seven and---?

BRUCE PRATHER: Well, it says there are five tracts, Tract 4, 7, 8, 17 and 19 having a total of 45 unleased parties. There are no unknown. That's what our information.

BILL HARRIS: That's what our Board summary says.

BRUCE PRATHER: Is that because of these dismissed people is the reason you're just now at 8?

DENNIS BAKER: Yeah. Yeah.

BRUCE PRATHER: Okay. All right, that answers my question.

PEGGY BARBAR: Thank you. Call your next witness.

STAN SHAW

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

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

Q. And are you familiar with the proposed plan of exploration for this unit?

A. Yes.

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

A. 8,272 feet.

Q. Estimated reserves?

A. 1,000 million cubic feet.

Q. Are you familiar with the well costs?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Dry hole costs are $1,045,050. And completed well costs are $1,682,754.

Q. Do these costs anticipate a multiple completion?

A. Yes.

Q Does your AFE include a reasonable charge for supervision?

A. Yes.

Q. In your professional opinion, would the

granting of this application be in the best interest of conservation, the prevention of waste and the protection of correlative rights?

A. Yes.

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

PEGGY BARBAR: Any other questions from members of the Board?

MARY QUILLEN: Madam Chairman, could Mr. Shaw restate the total depth please?

STAN SHAW: 8,272 feet.

MARY QUILLEN: Okay, on ours it has 8,295 feet.

STAN SHAW: In the header of the AFE that's an estimated TD by a geologist. Since that time the driller has refined the curvature on the horizontal and estimates 8,272 feet.

MARY QUILLEN: Okay.

PEGGY BARBAR: Anything else, Mr. Kaiser?

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

PEGGY BARBAR: Do we have a motion?

KATIE DYE: Motion to approve.

PEGGY BARBAR: Yes, ma'am, we have a motion...motion by Katie. Thank you.

BILL HARRIS: Second.

PEGGY BARBAR: Second by Mr. Harris. All approved say aye.

(All members signify by saying aye.)

PEGGY BARBAR: Anyone opposed?

(No audible response.)

PEGGY BARBAR: Approved. Docket item number three is a petition from CNX Gas Company LLC for pooling of coalbed methane unit AX-131, docket number VGOB-08-1021-2247. All persons interested in this case please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington. Actually, while we are waiting for Les, this unit was heard...or this application was heard last month and we actually completed all the testimony, as I recall, and we got in a delay mode because there was a gentleman who showed up and on behalf of his mom and we thought that she had been leased and we continued the hearing to make a determination with regard to that and it turned out we were wrong. She was not leased and we have appropriately modified the exhibits and there is an amended notice of hearing that has that straightened out. So, I'm not sure you need to take any testimony with regard to this today because it was continued to answer that question and I don't recognize the

fellow that was here last month but---.

PEGGY BARBAR: There he is.

MARK SWARTZ: Was that you? Well, why don't you come down or you don't have to?

JAMES GOFF: Well, I thought this was item number four on the list. I'm confused.

MARK SWARTZ: Wasn't he in AS131 or was he in four? Okay. Well, I'm confused, you are not. Okay. This one we do need to start from scratch, but you should have an amended notice of hearing because this was continued for a notice issue.

(Leslie K. Arrington is duly sworn.)

MARK SWARTZ: Why don't you swear Anita in as well since we need her occasionally?

(Anita Duty is duly sworn.)

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC.

Q. And what do you do for them?

A. Director for environmental and permitting.

Q. And as part of your chores at CNX, do you...are you responsible for preparing the notices of hearing, the applications and the related exhibits or having people that work for you do that?

A. Yes.

Q. And did you, in fact, participate in preparing this application?

A. Yes.

Q. And did you sign the notice...the amended notice and the application?

A. Yes.

Q. What did you do to notify people who might be interested in this pooling application that there was going to be a hearing today?

A. We mailed by certified mail, return receipt on October 28, 2008 and published in the Bluefield Daily Telegraph on September 26, 2008.

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

A. The notice of hearing and the location exhibit.

Q. And have you furnished the Director with copies of your certificates with regard to mailing and the certificate that you received from the newspaper with regard to the publication?

A. Yes, we have.

Q. Do you want to add any folks as respondents in this unit today?

A. No.

Q. Do you want to dismiss anyone?

A. No.

Q. And the exhibits that we should be attending to are those attached to the amended notice?

A. Yes, they are.

Q. Okay. What kind of unit is this?

A. This is a Middle Ridge with 58.74 acres in it.

Q. And how many wells are proposed?

A. At this time, one.

Q. Okay.

A. The costs are $301,651.05 to a depth of 2507.

Q. I think it has a permit, 9759?

A. Yes.

Q. Okay. And how many acres are in this

Middle Ridge unit?

A. 58.74.

Q. Who are you proposing...who is the applicant proposing would be the operator in the event that this application was approved?

A. CNX Gas Company.

Q. And in that regard, is CNX Gas Company a Virginia Limited Liability Company?

A. Yes, it is.

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

Q. Yes.

Q. Has it registered with the Department of Mines, Minerals and Energy?

A. Yes.

Q. Does it have a bond on file as is required by law of operators in the Commonwealth?

A. Yes, it does.

Q. Could you tell the Board what interests you’ve been successful in acquiring and what it is you’re seeking to pool?

A. We’ve acquired 100% of the coal owner's claim to coalbed methane and 51.4033% of the oil and gas owner's claim to coalbed methane. We’re seeking to pool

48.5967% of the oil and gas owner's claim to coalbed methane.

Q. Is there an escrow requirement here?

A. Yes, sir.

Q. And what tracts does that effect?

A. 1B, 1C, 1D, 1E, 1F, 1G, 1H, 1I, 1J, 1K, 1L, 2C, 3A, 3B, 3C, 3D, 3E and 3F.

Q. And would that be for traditional conflicts between oil, gas and coal?

A. Yes.

Q. And is there all...are there also some folks that are unlocateable in Tract 2C?

A. Yes.

Q. Okay. Are there any split agreements here?

A. Yes, in Tracts 1A, 2A and 2B.

Q. And are those split agreements if you know, are those 50/50 agreements?

A. They're not.

Q. They're not, okay.

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, do you know what the terms of the split agreements are in general?

A. It's a 70/20.

LESLIE K. ARRINGTON

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SWARTZ:

Q. Okay. Les, is it your request that in the event that Board were to approve this application that you be allowed as an operator to pay the folks listed in the Exhibit EE directly in accordance with their split agreements as opposed to escrowing their funds?

A. Yes, it would.

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

A. Yes, it is.

Q. Is it your further opinion that if you combine the leasing efforts that you've succeeded with with a pooling order concerning the outstanding oil and gas interest that the correlative rights of all owners and claimants will be protected?

A. Yes, it would be.

Q. With regard to lease terms, what are the lease terms that your company routinely offers in this...in Southwest Virginia?

A. For a coalbed methane lease, it's five dollar per acre per year on a coalbed methane lease with a one-eighth production royalty and a five year paid up term.

MARK SWARTZ: I believe that’s all I have.

PEGGY BARBAR: Questions from members of the Board?

SHARON PIGEON: Did we have Anita sworn when she was testifying?

MARK SWARTZ: Yes.

SHARON PIGEON: You did. You do have one place where you’ve got...is Oakwood and other places you’ve got Middle Ridge correctly. So, you’ll change that to conform to the testimony given.

PEGGY BARBAR: Anything else, Mr. Swartz?

MARK SWARTZ: No.

PEGGY BARBAR: Do I hear a motion?

BILL HARRIS: May I ask a question just before we do that?

PEGGY BARBAR: Yes.

BILL HARRIS: Ms. Duty, when you indicated the one-eight/seven-eights how does that...who gets what?

ANITA DUTY: Coal Creek is one-eight and Robin Hodges is seven-eights.

BILL HARRIS: Individuals?

ANITA DUTY: Yes.

BILL HARRIS: Okay, thank you. I was just---.

PEGGY BARBAR: Do I hear a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

PEGGY BARBAR: Motion to approve by Ms. Quillen and seconded by Mr. Prather. All in favor say aye.

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

PEGGY BARBAR: Anyone opposed?

KATIE DYE: Abstain.

PEGGY BARBAR: You have approval, Mr. Swartz.

MARK SWARTZ: Thank you.

PEGGY BARBAR: Next is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BA-138, docket number VGOB-08-1021-2350. Will all parties interested in this case please come forward?

MARK SWARTZ: Mark Swartz, Les Arrington and Anita Duty.

PEGGY BARBAR: Would you please swear him in, Michelle?

(James Goff is duly sworn.)

PEGGY BARBAR: Your name, sir?

JAMES GOFF: James Goff.

MARK SWARTZ: Okay, this is the one that we were here on and we thought we had a lease from your mom, I think it was. And it turned out when we went back and we checked into that we did not have a lease and that's an unleased interest. And Anita tells me that the documentation in that regard is correct. So, I think we're done except to hear from Mr. Goff.

PEGGY BARBAR: Okay. Go ahead, Mr. Goff.

JAMES GOFF: Yes. I represent my mother who owns a rather small tract in Tazewell County where this particular well is proposed. There is two issues going on here and I'm not really sure of the procedure here. I had objected to some...to the drilling of the well and I had listed nine or ten objections. There was a hearing that I was not made...was not advised of a couple weeks ago. It was a week after we had met here on the 21st and I'm not sure if I can hear those today or if I need to appeal that. I'm really confused about what I need to do at this point. Again, I'm no lawyer but I do have some objections that were heard a couple weeks ago and nobody was present to represent my mother. And so---.

SHARON PIGEON: Mr. Swartz, do you want to respond to why that would be?

MARK SWARTZ: I showed up for that hearing and Les showed up for that hearing and---.

JAMES GOFF: I wasn't made aware of it. I know we hadn't received a notification. I've been trying to research...I just got yesterday, some information on when the notice was mailed out, but at this point I've contacted two post offices and they can't confirm ever receiving a notice. The only thing that they can confirm is there was a notice sent out but it was returned to Abingdon unclaimed. I'm not sure what the problem was, but I can rest assured that...you can rest assured that we weren't notified or I would have been there to speak on my mother's behalf on the objections. She has a well...a spring that's located less than 100 feet from this proposed well and it has been there for 75 years at least as I know of. There are some verbiage in some old deeds that reserve rights for the spring for landowners that's in the old deeds and the original deed. If this well is drilled it will destroy my mother's only source of water. There's no county water there. She's already lost her well. So, the spring is her only source of water at this time. Of course, I had many objections but, again, I wasn't sure that I could argue those today.

SHARON PIGEON: Mr. Asbury, do you want to weigh in on this?

DAVID ASBURY: The objection that he filed, first, of all he does have standing to object. Second, he does have power of attorney for his mother. We did notice for the informal fact finding hearing 22008, which was held last... on the 19th, I believe, and we did not receive confirmation that anyone did pick up their notice on that particular date. We had four informal fact finding hearings scheduled that day and we did have Mr. Goff's hearing scheduled for 9:00 o'clock. We heard another one in his absence to give him an opportunity to be there. We did call him. Our conversation that morning was that he was confused concerning the meetings and had not received notice as he has testified here. And, again, as far as the objection was concerned in the informal fact finding hearing we did call it and he was not present to represent his mother at that particular fact finding hearing. He has...a cause of the absence of anyone present for any informal fact finding hearing we did receive a negative opinion from my office as far as the objections. The informal fact finding opinion has been given and faxed to Mr. Goff, he is aware of that. It's also certified mailed to him again and to CNX. And we have not, from our office, received an appeal of that

informal fact finding decision at this time. Again, this has just happened within the past few days.

JAMES GOFF: I would just like to say there was no confusion. I mean, if I had known there was a hearing that day I would have been there. But the appeal papers have been faxed to me but they haven't been received by mail at this time. I am hoping that same...of course, now we've already got...we've already got the decision and I've got a fax at this time, but I mean even that day that I was called I was ready to come down even at that time. But I can't remember the exact nature of the phone call. But I was ready to come down but I thought that it was going to be continued that day. That was my understanding, the nature of the phone call. So, I didn't show up even after the phone call or if I thought it was going to proceed I mean I only work about...I work in Lebanon twenty minutes away, I would have been there. But I want this to be heard because my mother is going to be without water and no access to county water if this well is drilled. And I think some more attention needs to be looked at that as far as the old deeds are concerned. The spring is preserved for landowners. That's never been brought to the attention of anyone.

SHARON PIGEON: Mr. Goff, I'm not...and, of course, the Board is not aware of all the details here on how the

informal fact finding notice went out and why you didn't get it and so on and so forth---.

JAMES GOFF: Right.

SHARON PIGEON: You have a couple of options on that. You can contact Mr. Asbury and request that he set this for a second informal fact finding, which he can do, and he may or may not depending on what he knows to be the facts. He knows them at least his side of it better than any of us sitting here. Or you can file an appeal with this Board concerning that permit decision. What we are here for today is not the permit objections, however, you are correct about that.

JAMES GOFF: Okay. Well, I wasn't completely clear on that, but I do know from contacting the local post offices that the particular notice was mailed out somewhere around the 15th of October.

SHARON PIGEON: You're back to the informal fact finding?

JAMES GOFF: I'm back to that, but---.

SHARON PIGEON: We're pretty much finished with that here.

JAMES GOFF: Well, I just wanted to make it clear that---.

SHARON PIGEON: Well, you have.

JAMES GOFF: ---that the letter didn't go back to them until after the 10th of---.

SHARON PIGEON: And I am giving you every benefit of what you are saying---.

JAMES GOFF: Okay.

SHARON PIGEON: ---I'm just saying the way to proceed on that at this point is to either have a second informal fact finding, which Mr. Asbury will have to decide.

JAMES GOFF: So, this today is for the pooling and---.

SHARON PIGEON: That's right.

JAMES GOFF: ---of course, I object to that. And that's a foregone conclusion. I, you know, I object because of the companies unwillingness to work and be reasonable, a fraudulent representation of the facts by...the last time I was here they were going to proceed...if I hadn't been there they would have proceeded because they said there was a lease and there wasn't and they knew that. And I object on the royalty split as it is now understood and the fact that the original deeds calls for preservation of this spring of the water source for domestic purposes to many land owners. So, that's all I have.

PEGGY BARBAR: Any other questions?

BRUCE PRATHER: I have a question, Madam Chairman.

Is this well above or below the spring location?

JAMES GOFF: I don’t think I have that with me.

BRUCE PRATHER: Elevation wise?

LESLIE K. ARRINGTON: I don’t have my well permit file with me. I only have my pooling file. I thought maybe---.

BRUCE PRATHER: Well, let me ask you another question.

LESLIE K. ARRINGTON: Okay.

BRUCE PRATHER: Are you considering using casing to case off his spring?

LESLIE K. ARRINGTON: Yes, we will.

JAMES GOFF: I can answer that. It’s just above, but it’s probably...it's less than 100 feet. Any activity there is going to destroy the spring, it doesn’t matter what they try to do as far as casing goes. It’s not going to benefit at all.

PEGGY BARBAR: Other questions?

(No audible response.)

PEGGY BARBAR: Do we have a motion?

DONNIE RATLIFF: The motion is on the pooling order?

PEGGY BARBAR: Yes.

DONNIE RATLIFF: So moved, Ms. Chairman.

MARY QUILLEN: Second.

PEGGY BARBAR: Has been moved and second. All in favor say aye.

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

PEGGY BARBAR: Those opposed?

KATIE DYE: Abstain.

PEGGY BARBAR: Katie Dye abstains. You have approval. Docket item number five is a petition from Range Resources-Pine Mountain for a well location exception for proposed well V-530058, docket number VGOB-08-1021-2359. All parties wishing to speak in this case, please come forward.

TIM SCOTT: Tim Scott, Gus Jensen and Phil Horn for Range Resources-Pine Mountain.

(Gus Jensen and Phil Horn are duly sworn.)

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, would you please state your name, by whom you're employed and what your job description is,

please?

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc. and I'm in charge of the land department and part of my duties are to get these wells approved here through these hearings.

Q. And you then participated in the preparation of this application, is that right?

A. Yes, I did.

Q. And we...this particular matter before the Board was continued from last month, why was that?

A. We had originally left off a well, V-1999 well. We inadvertently left it off and it was closer than 2500 feet so---.

Q. So we renoticed and refiled—?

A. Renoticed and refiled.

Q. ---is that right?

A. That's correct.

Q. Okay. Are you familiar with the ownership of the oil and gas under this unit?

A. Yes, I am.

Q. And who owns the gas?

A. Range Resources-Pine Mountain, Inc owns all the oil and gas in this unit.

Q. Who operates these wells that are offset

from this well?

A. Equitable Production Company.

Q. Does Range Resources also participate in the operation of these wells?

A. Yes, we do.

Q. As we indicated earlier, we refiled this notice and refiled the application, is that right?

A. That's correct.

Q. So, we have two affidavits of mailing that have been provided to Mr. Asbury, is that correct?

A. That's correct.

Q. We've filed proof of mailing with Mr. Asbury?

A. Yes.

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

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Okay, call your next witness, please.

GUS JENSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jensen, would you please state your name, by whom you're employed and your occupation?

A. My name is Gus Jensen. I'm employed by Range Resources-Pine Mountain, Inc. I'm the manager of geology and responsible of the exploration and development of wells on the property.

Q. And you also participated in the preparation of this application, is that right?

A. That's correct.

Q. Would you please explain to the Board why we're seeking a well location exception for this particular well?

A. Yes. If the Board members would refer to Exhibit AA, which we've handed out, you will see the location of proposed well 530058. To the northwest and to the south of this well there are already existing well units established. There is no legal location in this area without touching some of the other units. The proposed well has been situated to maximize recovery of the stranded acreage as well as reasonable topographic location for the well development.

Q. So, in this particular case, if we moved in any way we're going to be fewer than 2500 feet to some other

well, is that right?

A. That’s correct.

Q. So, this is the only location we have?

A. Right.

Q. What’s the proposed depth of this well?

A. 6,104 feet.

Q. And what would be the potential loss of reserves if this application were not approved?

A. 380 million cubic feet of gas.

Q. And in your opinion, would the granting of this application be in the best interest of conservation, prevent waste and protect correlative rights?

A. That’s correct.

TIM SCOTT: That’s all I have for Mr. Jensen.

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

PEGGY BARBAR: A motion to approve and a second. All in favor say aye.

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

PEGGY BARBAR: Anyone opposed?

DONNIE RATLIFF: I'll abstain.

PEGGY BARBAR: One abstention, Mr. Ratliff. You have approval.

TIM SCOTT: Thank you.

PEGGY BARBAR: Docket item number six is a petition from CNX Gas previously heard by the Board for the establishment of the drilling unit AB78CV. This is docket number VGOB-08-0115-210..excuse me 2120. All persons interested in this case, please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington. Just to maybe simply things, we really don't care what the shape of this unit is. We felt like we proposed a shape that would work given drainage and so forth and it would be simple to lay out, but we don't really have a vested stake in that being the ultimate size. We would like to permit the wells and move forward but we don't think that the drainage pattern is outside of the unit, which is the way we designed this. So, if you know we're open to other ideas. We don't really...other than we would like to, you know, have a unit and drill it we're good with change. I know that's an unusual position for me to take but that's where we are on that.

PEGGY BARBAR: Do you want to address this?

DAVID ASBURY: Madam Chairman, at the last Board

meeting and the one before regarding this unit we have operators who are bringing greater than 80 acre units or 60 acre units and Mr. Wampler wanted to and we as a Division wanted to make sure that the Board understands the pooling of the units and the shape of the units for which we are pooling as far as the protection of correlative rights. And this not only addresses and the Board should understand how it addresses coalbed methane wells who are...we're doing directional drilling in coalbed methane if we go down to the conventional gas units that are being pooled. And the issue is, in this particular unit, where there are three units shown for one direction that the Board understands this unit that the internal windows go away, that this becomes one single unit for this directional or horizontal well, and that it has not three units that as far as what the Board is approving as a unit includes all three of these units for correlative rights reasons. And this is something that was a concern that we didn't understand the correlative rights issue correctly when this was first brought before the Board, both for coalbed methane gas wells and for conventional gas wells in different horizons. It is...it could be that we want to take our field grids that we have established and think in three dimensional and that we would take our coalbed methane grids down to the conventional gas

grids or not. But the concern with this particular case here was that all three units were shown as different entities but you were approving a single large unit for this directional horizontal coalbed methane well, that all of this becomes one pooled unit.

MARY QUILLEN: Madam Chairman, may I just ask Mr. Asbury a question, please?

PEGGY BARBAR: Sure.

MARY QUILLEN: The concern is that they would be treated as the correlative rights would be treated as three separate entities rather than absorbed into one, is that what the concern was?

DAVID ASBURY: Yes. Yes.

MARY QUILLEN: And then if it were absorbed into the one big unit then they...the correlative rights would be governed..everybody would be governed by the same in that particular big unit as one unit?

DAVID ASBURY: Yes. And the internal lines shown on the chart go away. It’s okay as far as unitization is concerned and our charge...the Board’s charge for unitization. But as the exhibit shows it shows three units that are separate entities and there would only be one entity for this pooling.

MARY QUILLEN: And so everybody would be entitled

to reap the benefits from that big unit---.

DAVID ASBURY: Yes.

MARY QUILLEN: ---that's within those three smaller units.

SHARON PIGEON: Is this the one where we had testimony that there would be royalties paid where the legs of the pipeline cross and not for the whole unit?

MARK SWARTZ: It would be allocated.

LESLIE K. ARRINGTON: It would be allocated according to how much was in each area.

SHARON PIGEON: But everyone within this unit is going to---?

MARK SWARTZ: When you create a 208 acre unit, okay so you create it...well, if you're looking...are you looking at the map that has the really dark outline around it?

PEGGY BARBAR: Yes.

SHARON PIGEON: Yes.

MARK SWARTZ: Yes. That..if you add up the acreage in that dark boundary it has 208 acres and a fraction. And you were...we asked you to create a conventional drilling unit, one unit out of that 208 acres. We then proposed, because if you look at the leg in a different sections of that, we proposed that we be allowed to allocate production based on the feet of the well, the leg of the well in each

of those three lines, you know, the vertical lines.

SHARON PIGEON: How are you going to pay the people who don't have a leg crossing but that are in that unit?

MARY QUILLEN: Yeah.

MARK SWARTZ: But they're not in there.

SHARON PIGEON: They're in the unit.

MARK SWARTZ: No. They're in that little piece. Les, please.

SHARON PIGEON: If they're within that dark boundary they're in the unit.

MARK SWARTZ: Right and they're going to be paid...let's assume that David's finger is on the north, okay. But if you go to the left or the west there is a roughly 48 acre piece with the well bore and a little bit of the leg. Now, take the distance of that leg over the total well length, that will give us a percentage and we will multiply that times the production from the well and that will go with the people who own an interest in that unit...in that 48 acres on that end. In the center, they're going to have the biggest piece because they have the most footage crossing their property, so we'll therefore calculate a percentage for that and allocate the production to them. On the other hand, that's...that's what we had

intended and that’s what we thought you had approved. On the other hand, if you don’t want to do it that way we don’t care about that either. I mean, we’re going to pay an eighth of the production to somebody and so if you’re not comfortable paying it that way unitize the whole thing is another...you know it doesn’t matter to us because they’re...we’ve done title on everybody because we had to because they’re all in there. I mean, if you don’t...if you’re more comfortable with that and I think that may have been what Benny was talking about, but I’m not sure. But I’ve talked briefly to Benny about it and I said well put it on the docket and we’ll deal with it. So, if you’re comfortable with the boundary but not with the payment process I mean we’re open to that as well. Whatever.

DAVID ASBURY: The standard has been in the unitization before if we create all this unit then they are...the individuals and it goes back to about the same thing. It goes back to whatever acreage you use in the total unit is what you would get paid from that well.

SHARON PIGEON: It goes to just---.

MARK SWARTZ: It might actually come up with an identical number. I don’t know. I'd have to do the math.

MARY QUILLEN: Like a conventional 320 horizontal... or 320 acre conventional horizontal wells.

And everyone that was within that 320 acres depending on what they own is based...their percentage would be based on what they own.

MARK SWARTZ: I understand. And we're totally cool with that in a conventional setting. We have no problem with it.

MARY QUILLEN: This seems to be that if you start messing around and doing different things with different configurations that we're going to run into some---.

MARK SWARTZ: Well, here...here's the problem just, you know, to explain why...my guess is to why it came to in the shape. A lot of times it will be in a...let's say we take an Oakwood and we have a frac well in that Oakwood in that unit, so we've got a vertical well where we fraced that well and we're producing and we're looking at that unit and some adjacent units and we're thinking of drilling a horizontal well in the Pocahontas 3 seam that crosses through that unit. In the coalbed methane setting, and the question is, you know, you've got a vertical well in the unit, the neighboring unit may not have a vertical well or it may have two vertical wells, what's a reasonable way to allocate production from the leg? And in the coalbed methane setting, we have typically done this. In the conventional setting, I think the practice has been what

you've just described. We don't care. I mean, I think that the reason this was designed that way is because we do more coalbed methane than conventional and we just sort of had that on our radar. But I don't have a problem with it.

MARY QUILLEN: Treat it like other conventional.

SHARON PIGEON: Well, in looking at 45.1-361.21 in B and about the center of that, "...any portion of a unit covered by a pooling order shall be deemed to be the conduct of such operations on each tract in the unit." I don't think the other way complies with that. So, I think you have to treat the whole unit based on ownership, not based on legs of the pipeline.

MARK SWARTZ: Because we don't have a concern about how this plays out I'm not going to argue that point. I'll just say I may not agree with you, but it doesn't matter. It does not matter. I mean, if you're more comfortable as a Board protecting correlative rights by creating one big unit we are comfortable with that in this situation and I would...we don't oppose that.

SHARON PIGEON: Well, I'm more comfortable with it.

DAVID ASBURY: Yeah. One of the reasons why we brought this back is for this discussion. It's okay that we're outlining the grid for coalbed methane and using the grid with expanded units, but we want to make sure that our

correlative rights are protected and they complete the unit as shown correctly and that we understand how the payment is going to be made in each of the units.

SHARON PIGEON: Based on ownership?

DAVID ASBURY: Based on ownership. So, that's why we brought the issue back to the Board.

SHARON PIGEON: So, are you going to revise your application for that?

MARK SWARTZ: Well, we don't have to revise it. It's just that the allocation of revenue is going to be in a different formula. I mean, there's nothing to be revised.

LESLIE K. ARRINGTON: We can just revise our exhibits is all we have to do.

DAVID ASBURY: On the application, it includes that particular plat in this plat---.

MARK SWARTZ: We would take the lines off of the plat, I think, and we would then...we would have to refigure the undivided interest in the unit in Exhibit B-3. I mean, all the people would be the same but the way you want us to calculate it will change.

SHARON PIGEON: And you had previously testified that that's how it was going to be paid. So, you need to revise your relief requested in the sense that you are going to pay out based on ownership not based on---.

MARK SWARTZ: We always pay out based on---.

SHARON PIGEON: ---not based on where the legs of the pipeline lay.

MARK SWARTZ: Well, everybody in those three pieces was in the hunt so we're not adding any people. It's just that we're changing the percentage that they might receive and all we need to do to change that is the percentage in the exhibit. But I understand what you're asking. Now, do we need to come back again or do we just need to do what you told us to do and submit the exhibits to Dave?

SHARON PIGEON: We gave you approval on the unit previously.

MARK SWARTZ: Right, so I...we just need to amend the exhibits according to your preference, which I believe we all understand, and submit them to David or do we need to come back next month?

SHARON PIGEON: No order has been prepared on this, correct? So, we can---.

DAVID ASBURY: They have been given permission to drill as far as the permit is concerned and there's a stay on the permit. So, if you would revise the exhibit and then we can prepare the order, if the Board so chooses to do that, and you would not have to come back.

MARK SWARTZ: Actually, I think I was asked to

prepare the order but I didn’t know what to prepare because I didn’t know what you were going to do. So, I’ll do that.

DAVID ASBURY: Okay.

SHARON PIGEON: So, many sad stories, Mr. Swartz. My heart bleeds for you.

PEGGY BARBAR: So, do I hear a motion that we approve this as we have...based on the discussion that we've had today?

SHARON PIGEON: If we could get the Board's members attention.

PEGGY BARBAR: Further discussion, Mr. Ratliff?

DONNIE RATLIFF: Yes. May I see the map?

LESLIE K. ARRINGTON: Which one?

DONNIE RATLIFF: The one that outlines the (inaudible) line.

SHARON PIGEON: The one that you’re using and relying on heavily.

LESLIE K. ARRINGTON: The one that I didn’t bring.

SHARON PIGEON: I don't have it in my information.

PEGGY BARBAR: Is it the one that David has maybe?

LESLIE K. ARRINGTON: David has it.

SHARON PIGEON: We only seem to have this one copy, which made it a little more challenging.

(Board members confer.)

DONNIE RATLIFF: Here's my problem with it, you've got how many feet here, Les?

LESLIE K. ARRINGTON: Maybe 300 and part of that would be your landing zone.

DONNIE RATLIFF: And all of this is what distance?

LESLIE K. ARRINGTON: All the way across there?

DONNIE RATLIFF: Yes.

LESLIE K. ARRINGTON: I believe that's...that will be 1800 feet across this line.

DONNIE RATLIFF: If I'm in this block and there's 1800 foot of pipeline here then I would feel like that I got less than my portion because there's only 300 feet in this area. I understand that you're saying we can't do that, David...Mr. Asbury?

DAVID ASBURY: No. I'm not saying we can't. I'm just saying that---.

SHARON PIGEON: I just read to you from the statute that tells me that you can't do that.

DONNIE RATLIFF: You don't get to vote.

MARK SWARTZ: Yeah, I don't agree with her. If I have to I can tell you why not.

DONNIE RATLIFF: I mean, am I looking at that wrong?

LESLIE K. ARRINGTON: No, sir.

DONNIE RATLIFF: I mean, that’s my...that’s what I’m wrestling with.

SHARON PIGEON: That’s in (inaudible) is going to happen on every single unit though. That one area is going to have more activity. It is going to have the drilling location. It's going to have more disturbance on the land, if you will. And the pool potentially is under all of this unit, not just where the pipelines crosses.

BRUCE PRATHER: How much would it effect the well if you didn’t go into that 40 acres?

DAVID ASBURY: Well, another alternative that CNX may consider if the leg of this horizontal unit is not going to hit except in these two units, they can ask the Board for a location exception for the well, which would be outside of the horizontal unit and the leg that would hit in these two units here then the location exception would give them the right to drill the well outside of the unit. Their leg, which would hit in this first area here in both of these, would become your pooled unit with a location exception for the well. That’s another alternative.

MARK SWARTZ: The reality of this is if we stay... and I don’t mean just my client but if the oil and gas operator, stay with unit boundaries that this Board has created when you created field rules we tend to have title

on that basis, okay. And this kind of an approach allows us to use existing title and allocates the percentages along the lines that Mr. Ratliff is talking about. I mean, the alternative is to draw a map and create a unit like that, okay, which you are not using traditional boundaries and probably for conventional gas it's not a big deal, but for coalbed methane it would be a nightmare. But, you know, if the concern is that the royalty interest of the people in the middle is being deluded because you're not fairly allocating most of the production to them because it's coming from under their land, then, you either need to do some kind of footage allocation to protect them or you need to change what the unit looks like. I mean, you know, kind of focus in on the concern. And I said this a million times to you all and I am going to say it again, we're going to pay somebody one-eighth and it's sort of up to you all just to say who do you want to receive the one-eighth and I want proportion because you are sort of a fairness arbitrator in that regard. And, you know, if you allocate this on a footage basis of the wellbore, the horizontal well, does that fairly you know allocated to the groups of people that have a claim or are you more comfortable drawing a different unit boundary and not making any kind of footage allocation? And those are solutions which get you generally speaking, I

think, to where I hear you all want to be.

DONNIE RATLIFF: Madam Chairman, that makes more sense to me, but our attorney says we're kind of bound to the units.

PEGGY BARBAR: So, what's your motion?

DONNIE RATLIFF: I'll yield to the attorney, I guess, with hesitation and move that we allocate those as if it's one big unit.

PEGGY BARBAR: Is there a second?

MARY QUILLEN: Second.

PEGGY BARBAR: Any discussion?

(No audible response.)

PEGGY BARBAR: All in favor, signify by saying yes.

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

PEGGY BARBAR: All opposed?

KATIE DYE: I'll abstain.

PEGGY BARBAR: Abstain by Katie Dye. You have approval. Docket item number seven is a petition from CNX Gas Company, LLC for modification of the Nora Coalbed Gas Field Rules. This is docket number VGOB-0...excuse me VGOB-89-0126-0009-36. All parties interested in this case please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington again.

PEGGY BARBAR: Go ahead, Mr. Swartz.

MARK SWARTZ: Could I incorporate Mr. Arrington's prior testimony with regard to the applicant and operator and his employment?

PEGGY BARBAR: Yes, you may.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. We have some exhibits that we want to pass out to the Board here.

A. You should have incorporated into your package...this...this map shows---.

Q. Go around and show them.

A. Okay. This is a large map showing basically all the fields out there and various things that we've done. You can see that we've done end field approvals in the Oakwood field and several places that we've come

before you before. Now, what we're doing, we're over in this area in the Nora field requesting infill drilling in that area. It's kind of on the eastern boundary where it abuts up to Oakwood.

Q. The eastern boundary of Nora?

A. The eastern boundary of Nora, western boundary of---.

Q. Right.

A. ---Oakwood.

Q. Right. And that is reproduced in the documents you have, but this, I think, puts it at least in some context as to where we've been with this before. How many acres does this involve?

A. 1,583.82 acres.

Q. And have you provided the Board, in your application, with a list of the affected Nora units?

A. Yes, we have.

Q. And would you read those into the record?

A. Yes. It's K-73 to K-77, L-73 to L-77, M-73 to M-77, N-73 to N-80, O-73 to O-76.

Q. Okay. And, I believe, that that is a total of...with reference to the map a total of 28 units?

A. Yes.

Q. Well, let's see 27 units, I think, is that

right?

A. 27.

Q. 27 units, okay. Have you also provided the Board, as is required, with a map in the application, I think the answer to that we've already referred to it is yes.

A. Yes. Yes, we have.

Q. What is your proposal with regard to the total number of wells that could be drilled in these 27 units?

A. Well, we're asking for an additional well, one well...additional well location within those units.

Q. Okay, so the total per unit would not be more than two?

A. It would not.

Q. So, your application is we've already got an opportunity to drill one and we would like to drill a second well?

A. Yes.

Q. Okay. And what are you asking with regard to where those wells might...this additional well would be required to be located in these units?

A. Inside the drilling window.

Q. Okay, so the second well would be...have to

be in the drilling window and is there some distance that it would have to be from the nearest coalbed methane well?

A. 600 feet.

Q. Okay, and that traditionally is what has always been done?

A. Yes, it is.

Q. Could you remind the Board, because we've been here and other companies have been here a lot, about why end field you know makes sense both economically and from a reservoir standpoint, but could you remind them of the reason why end field drilling has become an important opportunity?

A. Yes, I would. In infill drilling we've found that when we drill a second well within a unit that you will increase production not only be higher than the original well but you will increase the original well at times.

Q. And you have data that you've...we've previously shared with the Board of developed from actual wells and actual infill drilling programs that you've pursued that show that?

A. Yes, we have on numerous occasions.

Q. And would it be true that in sort of a one, two summary the first thing that infill drilling does is

that it creates additional interference that allows that second well to come on sooner and faster and produce better than the first one does?

A. Yes, it does.

Q. And in some instances, the interference caused by that second well actually causes the production from the first well to come kind of out of the decline curve and trend back up?

A. It will.

MARK SWARTZ: I think that's all I have on this one.

PEGGY BARBAR: Questions from members of the Board?

BRUCE PRATHER: I have a question. The acreage that's around your 27 locations here. Have they had twin wells drilled per unit?

LESLIE K. ARRINGTON: Only one. Only one. And we still haven't been able to produce it yet. So, I really don't know what it will do.

BRUCE PRATHER: Okay. And you're doing all of the acreage around the thing, so---?

LESLIE K. ARRINGTON: We have quite a bit of it, yes.

BRUCE PRATHER: Yeah, okay.

PEGGY BARBAR: Others?

BILL HARRIS: Let me ask a question if I might. I'm just curious about the shape of the 27. You knew I would ask that. Could you kind of explain how that came about?

LESLIE K. ARRINGTON: Well, yes. Actually, that's areas that we've already got an existing well within those units.

BILL HARRIS: Okay, well that makes sense. Okay, thank you.

MARK SWARTZ: It was a good question and we were ready.

LESLIE K. ARRINGTON: Yeah, he has already asked.

BILL HARRIS: Okay, I was just curious.

PEGGY BARBAR: Is there a motion.

MARY QUILLEN: Just---.

PEGGY BARBAR: Ms. Quillen.

MARY QUILLEN: ---one question. This..these units are to the west of the Oakwood---.

LESLIE K. ARRINGTON: Yes, ma'am.

MARY QUILLEN: ---and you stated that it was right on the boundary?

LESLIE K. ARRINGTON: It's kind of...it but---.

MARY QUILLEN: Pretty much on the boundary. You all have drilled multiple wells in some of these adjacent

units in the Oakwood, is that correct?

LESLIE K. ARRINGTON: Yes, ma'am, we have.

MARY QUILLEN: And has that production that you predict is this what you're basing it on is this data that you have on those Oakwood wells as far as production?

LESLIE K. ARRINGTON: Yeah, we're basing it on our Oakwood field and our Middle Ridge field which is also 60 acres. Basing it on those experiences.

MARY QUILLEN: Thank you. That's all I have.

PEGGY BARBAR: Is there a motion?

DONNIE RATLIFF: Motion to approve.

BRUCE PRATHER: Second.

PEGGY BARBAR: Motion to approve and second. All in favor, signify by saying yes.

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

PEGGY BARBAR: All opposed?

KATIE DYE: Abstain.

PEGGY BARBAR: Katie Dye abstained. You have approval. Docket item number eight his a petition from CNX Gas Company, LLC for modification of the Oakwood field rules, docket number VGOB-93-0216-0325-16. All folks interested in this party...in this case...party, I wish it were a party (laughs), please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

PEGGY BARBAR: Okay, Mr. Swartz.

MARK SWARTZ: I'd like to incorporate Mr. Arrington's testimony with regard to his application---.

PEGGY BARBAR: Oh, excuse me, there is one other coming.

MARK SWARTZ: He's with Jewell Smokeless.

PEGGY BARBAR: Yeah, go ahead and---.

BOB WEAVER: Bob Weaver, Jewell Smokeless.

PEGGY BARBAR: ---get you sworn in, Mr. Weaver.

(Bob Weaver is duly sworn.)

MARK SWARTZ: If I could incorporate Mr. Arrington's testimony concerning the applicant, the operator and his employment I would ask to be able to do that.

PEGGY BARBAR: Yes, you may.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. Okay. This is also an application to modify existing field rules?

A. Yes, it is.

Q. And at this time, it's an application to modify the Oakwood I field rules, is that correct?

A. Yes, it is.

Q. And under Oakwood I are the units generally speaking 80 acres?

A. Yes.

Q. And general...and under Oakwood I did the field rules allow operators to drill one well per unit?

A. Under Oakwood I, yes.

Q. And was the preference, although not the necessity, but was it the preference under Oakwood I that the original single well be drilled in the window if possible?

A. Yes.

Q. You are now proposing to be able to allow operators to be able to drill a second frac well in these Oakwood units that you’ve identified in this application?

A. We are.

Q. And where would...where are you asking that that second well be located?

A. Within the drilling window.

Q. And what kind of an offset from existing coalbed methane wells are you asking for?

A. 600.

Q. Have you identified the units that you are seeking to do infill drilling and by unit number?

A. Yes, we have.

Q. Okay. Could you read those into the record?

A. Yes. J-15 to J-17, K-15 to K-17, K-21, K-22, L-15 to L-22, M-15 to M-22.

Q. And you've provided the Board with your application with a map of those units in the Oakwood grid?

A. Yes, we have.

Q. Would it be instructive to show them the larger map and where this---?

A. Actually, I've got a smaller map. This is just within the Oakwood field and different areas that...the colored areas as you can see we've already been here before on and we're requesting over top of the existing old Beatrice Mine works this area right here, you should be able to see where I move my finger there, and it's an area that we have the former Beatrice field and it's over top of also some of the VP1 mine works.

Q. Okay. And on this littler map that you've just displayed to the Board, there's an area that you've kind of outlined with a green magic marker, it's not colored

green but it's outlined in green, and is that the area that you're seeking to---?

A. Yes, it is.

Q. ---have infill drilling that you've actually mapped in your application?

A. Yes.

Q. Okay. And this abuts a prior infill area, the blue area?

A. Yes, it does.

Q. And also it shares a corner with another infill drilling?

A. Correct.

Q. Have you also provided the Board in your application with a state plain coordinate meets and bound description in addition to identify anything else?

A. Yes.

Q. Okay. And the acreage in this collection of 80 acre Oakwood units totals what?

A. 1,920 acres of 24 units.

MARK SWARTZ: Okay. And I would like to incorporate Mr. Arrington's testimony with regard to the benefits of infill drilling from the last hearing.

PEGGY BARBAR: That will be incorporated.

MARK SWARTZ: But, obviously, he's available to

answer other questions you might have in that regard. And I think that with regard to this...which Les that's all I have at the moment.

PEGGY BARBAR: Go ahead Mr. Weaver.

BOB WEAVER: Okay, I mean this is like spitting into the wind. What I just wanted to bring before the Board to get on the record is that I know that we still have our 2500 foot rule, we have objection power. But in the absence of that looking at this thing every time a well goes through one of our coal seams due to the DMME rules on how close we can mine to these wells and how many square feet of coal we have to leave as support around that well which varies from 10,000 square feet to 40,000 square feet based on the depth and in our case most of the time is 40,000 feet that has to be left. So, every time we leave that amount of coal around a well we're talking about the seam thicknesses on average that we mine approximately 4,600 tons of coal is left in the ground due to the fact that that well is drilled through that one seam. Now, a lot of times, we're talking multiple seams when they drill these wells.

My point is this, that somewhere down the road, and I'm assuming that most of the time these wells are going to be probably there for 30 plus years, if we're actively mining an area and they put a well down chances are the mine

will be finished and gone long before the well plays out so that coal is lost forever. It's a lost resource. So, you know, the point is every additional well that we put down takes that much reserve away and it's lost forever. And just roughly, I would say for Jewell Coal and Coke Company, which you're probably talking each year, there's somewhere close between 200 to 300 wells that go down through our seams, not just CNX but total wells that go through these seams. And I'd say that in today's dollar, but projected out into the future, you're looking at losses of over 184 million dollars a year of resource every time a well goes down. Now, I hear a lot of things said about that we don't want to lose this precious resource of gas, but I'm just telling you this is some of the best metallurgical coal in the world that we're just sterilizing practically in some cases. That's all I wanted to say for the record.

PEGGY BARBAR: Any other discussion?

MARK SWARTZ: Actually, I have some testimony.

PEGGY BARBAR: Go ahead.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, do you deal with Jewell Smokeless on a

regular basis?

A. Yes, sir, we do.

Q. What do you do with regard to locating wells ...well do you have a procedure that you follow when you're dealing with Jewell Smokeless with regard to locating wells?

A. Yes, we do.

Q. Why don't you talk to the Board about that and about agreements that you reach with Jewell and so forth so they have a sense of interaction.

A. Yes. We...every well location that we do is first we do our best to have on file an up to date copy of their mine plans. Those wells generally...we do our best, sometimes we make a mistake here or there, we generally try to locate that well the first time in hopes of having it in a location that works with them. Secondly, if it doesn't, if they don't like it, we attempt to move it. Do we have several wells on file with Mr. Asbury that we kind of running...have a running conflict with them on several wells? Yes, sir, we do, but we will attempt to work out every well location.

Q. And do you do that with regard to every permit application?

A. Yes, sir.

Q. Have you entered into agreements with Jewell Smokeless with regard to what you can and cannot do with regard to wells that penetrate their coal?

A. We do sign a stipulation agreement on every well that they do approve.

Q. So, you have entered into voluntary agreements with roughly how many wells would that be?

A. I really don’t know.

Q. Well, would it be over 100?

A. Yes, well over that.

Q. Do you have the...does CNX have existing coalbed methane wells in any of the units that you’re seeking to drill additional wells?

A. Yes.

Q. How many?

A. I’d be afraid to...12 to 15 maybe.

Q. And in each of the 12 to 15 units they have essentially a guaranteed 2500 foot objection because the unit isn’t 2500 feet wide?

A. Right.

Q. So, it would have to work out?

A. We do that..I mean, you must work them out...work your wells out.

MARK SWARTZ: That’s all I have to offer in

addition.

PEGGY BARBAR: Questions?

BILL HARRIS: Yes, let me just ask a question. So, the location of a potential second well, you're saying that would be 2500 feet from...I'm misunderstanding something?

LESLIE K. ARRINGTON: No. No, that's basically the coal owners objection is the 2500 foot. If there's a well within 2500 feet they can object. What we try to do is locate the well within a mine...existing mine plan and to make it work with them mutually. Do...and, again, do we run into some objections? Yes, sir, we do. And Mr. Asbury has a few of those and we'll deal with them. And if we don't get it worked out then we'll bail from that well location.

BILL HARRIS: The terminology was used earlier about sterilizing a block of coal. So, the second well you're drilling is not in that block. Are we talking about additional coal then that would be unavailable for mining?

LESLIE K. ARRINGTON: The second well would possibly be located going through that same coal seam. So, could there be two blocks of coal? Yes...that Mr. Weaver spoke to, yes, there could be. But, again, we do try to locate them according to an existing mine plan.

MARK SWARTZ: What they may not notice, but if you have an existing mine plan are there locations depicted on a

mine plan where you could drill a well and not interfere with their mining?

LESLIE K. ARRINGTON: In most instances we can.

MARK SWARTZ: And what would you be looking for in a mine plan that would cause you to say, oh, if I put the well here they won't have a problem? I mean, just to give the Board some idea.

LESLIE K. ARRINGTON: We try to find a mine..some sort of mine pillar, mine barrier.

MARK SWARTZ: A plug that they're going to leave in place to support their mining, that would be a mine pillar or a barrier?

LESLIE K. ARRINGTON: Yes.

MARK SWARTZ: So, you're looking for a hole that the mine company has said we're leaving in place and they've shown it on their mine plan and you're going to try to penetrate that so that you're not taking coal out of play, is that correct?

LESLIE K. ARRINGTON: That's correct, yes.

PEGGY BARBAR: Other questions?

BRUCE PRATHER: I have seen that their mining plan has enough flexibility to where it accommodates you. In other words, you know, you're drilling in pillars in their mine. Is this a long wall mine or is this conventional.

MARK SWARTZ: They're shallow coal. So, it's conventional.

BRUCE PRATHER: Shallow coal, okay. So, there should be pillars left in there.

MARK SWARTZ: Well, it depends on when we get to them. If there in an existing mine and they're committed to a mine plan their flexibility is limited. So, sometimes you're right and sometimes you know that's not---.

BRUCE PRATHER: Yeah. Well, if they change the mine plan on you you're in trouble.

MARK SWARTZ: Yeah.

PEGGY BARBAR: Is there a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

PEGGY BARBAR: A motion has been made and a second. Will everyone signify...approving signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Anyone opposed?

KATIE DYE: Abstain.

PEGGY BARBAR: Katie Dye, abstained. You have approval. Docket item number nine is a petition from CNX Gas Company for pooling of coalbed methane in unit Q-81. The docket number is VGOB-08-1118-2364. All persons interested in this case please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

PEGGY BARBAR: Okay, go ahead Mr. Swartz.

MARK SWARTZ: If I can incorporate Mr. Arrington's prior testimony concerning the applicant and operator, his employment and standard lease terms offered by CNX, I would appreciate it.

PEGGY BARBAR: That will be incorporated.

MARK SWARTZ: Thank you.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. Are there revised exhibits here?

A. Yes, they are.

Q. And is Anita passing them out at the moment?

A. Yes.

Q. Okay. What kind of a unit is this?

A. This is a..it's a Nora well.

Q. Okay, and the acreage in this Nora unit?

A. It's 5865.

Q. Okay, and is there...there is a drilling window, obviously?

A. Yes.

Q. And is the proposed well located within that window?

A. Yes, it is.

Q. Okay, what did you do to notify people that we would be having a hearing today?

A. We mailed certified mail return receipt on October 17, 2008 and published Bluefield Daily Telegraph on October 28, 2008.

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

A. The notice of hearing and location exhibit.

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

A. Yes, we have.

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

A. No.

Q. Do you wish to dismiss any?

A. Yes, those show on Exhibit B-2.

Q. Okay, and that’s the point of Exhibit B-2 and the revised B-3?

A. Yes.

Q. And Exhibit B-2 identifies a couple of folks that you’re requesting I take it be dismissed?

A. Yes.

Q. Ada L. Ratliff and Range Resources-Pine Mountain?

A. Yes, it is.

Q. And the reason for the dismissal?

A. The interest was leased.

Q. Okay. And then have you revised Exhibit B3 which is the list of folks that you’re seeking to pool?

A. Yes, we are.

Q. And are the only revisions to simply delete their names?

A. Yes.

Q. And other than those two, that one person and that one company, do you want to dismiss anybody else today?

A. No.

Q. Okay. Is the well that is proposed to be drilled in the drilling window of this Nora unit a frac

well?

A. Yes, it is.

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

A. Yes. $329,417.32 to a depth of 2556.

Q. And what interests have you been able to acquire and what interests are you seeking to pool? Have you been able to do the math?

A. Yes.

Q. Okay.

A. We have leased 37.4425% of the coal owner's claim to coalbed methane and 99.1304% of the oil and gas owner's claim to coalbed methane. We are seeking to pool 62.5575% of the coal owner's claim and 0.8696% of the oil and gas owner's claim.

Q. Is there escrowed required in this unit?

A. Yes, there is, Tract 1A, 1B and 4.

Q. And are there escrow requirements limited to traditional conflicts?

A. Yes, they are.

Q. There are no split agreements in this unit?

A. No.

Q. Is drilling one frac well in the window of this Nora unit in your opinion a reasonable way to develop

the coalbed methane resource?

A. Yes, it is.

Q. Is it your opinion that if you combine a pooling order with the leasing and acquisition efforts that CNX Gas has been successful in that the claims and interests of all owners and claimants to the coalbed methane and their correlative rights will be protected?

A. Yes, they will be.

MARK SWARTZ: That's all I have.

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Is there a motion?

BRUCE PRATHER: Motion to approve.

DONNIE RATLIFF: Second.

PEGGY BARBAR: A motion has been made and seconded. All in favor, signify by saying yes.

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

PEGGY BARBAR: Anyone opposed?

KATIE DYE: Abstain.

PEGGY BARBAR: Katie Dye abstained. You have approval. Docket item number ten is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AU-92. This is docket number VGOB-08-1118-2365. All persons interested

in this case please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

PEGGY BARBAR: Okay, Mr. Swartz, go ahead.

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

PEGGY BARBAR: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, could you state your name for us?

A. Leslie K. Arrington.

Q. What did you do to tell people we were going to have a hearing today?

A. We mailed by certified mail return receipt requested on October 17, 2008 and published in the Bluefield Daily Telegraph on October 28, 2008.

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

A. The notice of hearing and location exhibit.

Q. Have you filed your proofs...certificates of mailing and proof of publication with the director?

A. Yes, we have.

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

A. No.

Q. On this one, do you want to dismiss anybody?

A. No.

Q. What kind of unit is this?

A. This is a Nora unit. It’s a makeup unit and it’s 60.49 acres.

Q. So, it’s a boundary unit that’s slightly larger, that’s what makeup means?

A. Yes.

Q. Okay. How many wells are you proposing?

A. Two.

Q. And are they both located within the window?

A. Yes, sir.

Q. Have you provided the Board with a total cost estimate and then a breakdown on a per well basis?

A. Yes, I have. Total costs is $596,070.23. For well AU-92, it's $307,337.44 and AU-92A is $288,732.79. AU-92's estimated depth is 2265 and 92A is 2120.

Q. Would you tell the Board what you’ve been able to acquire and what you’re seeking to pool?

A. We've acquired 89.2379% of the coal owner's claim to coalbed methane and 89.2379% of the oil and gas owner's claim. We're seeking to pool 10.7621% of the coal, oil and gas owner's claim to coalbed methane.

Q. In this partic...in this instance, no escrow is required?

A. No.

Q. And there are no split agreements?

A. No.

Q. And just to anticipate Mr. Harris' question, is this in an infill area that was previously approved or is it in one---?

A. I believe it is.

Q. Okay. Also, have you added something to your plat?

A. Yes. And I hope to have this on most all our plats. You'll notice down in the bottom right hand corner that all the wells located within 2500 feet there's a note down there in the bottom right hand corner that gives you the distance and bearing to those well locations. We might miss one here and there, but we'll attempt to get it.

Q. Try it?

A. Yes.

Q. Okay. Is it your opinion that drilling two

frac wells in the window of this unit is a reasonable way to develop the coalbed methane?

A. Yes, sir.

Q. Is it your opinion that if you combine the leasing efforts that you've been successful with a pooling order concerning the outstanding 10.7621% that the correlative rights of all owners and claimants in this unit will be protected?

A. Yes, they will be.

MARK SWARTZ: That's all I have.

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Is there a motion?

DONNIE RATLIFF: Motion to approve.

MARY QUILLEN: Second.

PEGGY BARBAR: Thank you. Motion has been made and seconded.

(No audible response.)

PEGGY BARBAR: All in favor, signify by saying yes.

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

PEGGY BARBAR: Anyone opposed?

KATIE DYE: Abstain.

PEGGY BARBAR: Katie Dye abstained. You have

approval. Docket item number eleven is a petition from CNX Gas Company for pooling of a coalbed methane unit CC-10. The docket number is VGOB-08-1118-2366. All persons wishing to testify in this case please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

PEGGY BARBAR: Okay, go ahead Mr. Swartz.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, do we need to go back and correct some testimony from the hearing we just had while it's fresh in everybody’s mind?

A. Yes.

Q. Is AU-92 in an infill drilling area?

A. No, it isn’t. And I thought it was on the map. It wasn’t so we’re going to have to come back on that one to get infill drilling.

Q. For infill drilling. But which of the two wells because obviously you’re down to one. Is it that you’re seeking well that you’re telling the Board you’re going to be drilling under the surface?

A. Yes.

Q. Which one is that?

A. AU-92A.

Q. And the one toward the center of the unit is off the table at this point?

A. It is at this point.

Q. Because you don't have infill drilling. Okay. I'd rather we get that out of the way rather than coming back.

BILL HARRIS: Was that the question I had?

MARK SWARTZ: Yes. See and we got you a good answer eventually. There you go.

(Off record discussion.)

MARK SWARTZ: With regard to CC-10, if I could...and I don't think I requested this, if I could incorporate Les' prior testimony concerning the applicant, CNX and the operator..proposed operator, his employment and the standard lease terms, I would like to incorporate.

PEGGY BARBAR: That will be incorporated.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. What did you do to notify people that we were going to have a hearing with regard to CC-10?

A. We mailed by certified mail return receipt October 17, 2008 and published in the Bluefield Daily Telegraph on October 29, 2008.

Q. What appeared in the paper when it was published?

A. The notice of hearing and location exhibit.

Q. Have you provided the Director with certificates regarding mailing and a copy of the proof of publication you had run in the newspaper?

A. Yes, we have.

Q. Do you want to add any respondents?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. What kind of a unit was this?

A. This is an Oakwood 80.

Q. How many wells are proposed?

A. Two.

Q. You had better check that map right now, okay.

A. It's there.

Q. Okay, you’ve got permission to do infill

drilling in this unit?

A. Yes, we do.

Q. In terms of the relationship of the drilling window, where are the two proposed wells located, inside or outside the window?

A. They are inside.

Q. And the acreage is 80 units...or 80 acres I mean?

A. Yes, it is.

Q. Have you provided the Board with a cost estimate in total and then the breakdown on a per well basis?

A. Yes, we have. The total cost is $540,844.15. The cost for CC-10 was $267,494.01 and 10A was $273,350.14. CC-10 was to a depth of 1774 and 10A was to a depth of 2,085 feet. The permit number for CC-10 is 1625.

Q. No escrow requirements here?

A. No.

Q. And there is no split agreements?

A. No.

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

A. We’ve acquired 80.65% of the coal, oil and gas owner's claim to coalbed methane and we’re seeking to

pool 19.35% of the coal, oil and gas owner's claim to coalbed methane.

Q. Is it your opinion that drilling two frac wells in the drilling window of this Oakwood 80 acre unit is a reasonable way to develop the coalbed methane resources?

A. Yes, it is.

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

A. Yes, they will be.

MARK SWARTZ: That's all I have.

PEGGY BARBAR: Questions from members of the Board?

BILL HARRIS: May I ask just a question about, this is just out of curiosity, where you're...actually, this is about something on the plot...on the plat, where your CBM CC-10 is, just to the left of that, there's a dotted line on Sulfur Lick, do you know what that is? I'm just curious.

LESLIE K. ARRINGTON: That should just be a stream name.

BILL HARRIS: So, the dotted line is where the stream would normally be? I mean, I'm not---.

LESLIE K. ARRINGTON: It's normally..it's not like...wait a minute, I've probably got another map here.

BILL HARRIS: I'm just curious.

LESLIE K. ARRINGTON: I've got an actual topo map of it. And it is just a stream name.

BILL HARRIS: Okay.

LESLIE K. ARRINGTON: And it has just come out different there for some reason.

BILL HARRIS: Thank you.

PEGGY BARBAR: Other questions?

(No audible response.)

PEGGY BARBAR: Is there a motion?

DONNIE RATLIFF: Motion to approve.

BRUCE PRATHER: Second.

PEGGY BARBAR: Motion has been made and seconded. All in favor, signify by saying yes.

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

PEGGY BARBAR: Anyone opposed?

DONNIE RATLIFF: I'll abstain.

KATIE DYE: Abstain.

PEGGY BARBAR: Two abstentions, Mr. Ratliff and Ms. Dye. You have approval. Docket item number twelve is a petition from CNX Gas Company for creation of a sealed gob drilling unit and pooling for Buch. No. 1. The docket number is VGOB-08-1118-2367. Anyone interested in this case

please come forward.

MARK SWARTZ: Mark Swartz and Les Arrington.

KENNETH OSBORNE: Kenneth Osborne for the Linkous Horn heirs.

PEGGY BARBAR: Okay, come on up here Kenneth.

(Kenneth Osborne is duly sworn.)

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

PEGGY BARBAR: That will be incorporated.

MARK SWARTZ: Anita is going to have some revised exhibits and some files which are updated...the information in them is updated, unfortunately, they are all mislabeled and they need to be changed to the Oakwood field. So, we'll fix that, but we wanted you to have the current information with regard to the people and the percentages and so forth.

ANITA DUTY: It's just on the spreadsheet.

MARK SWARTZ: Just on the spreadsheet it's wrong. Okay. We're good to go then, okay. It showed Middle Ridge and it should be Oakwood with regard to docket item twelve on the spreadsheet. I'm sorry?

LESLIE K. ARRINGTON: On the spreadsheet?

MARK SWARTZ: Yeah, on the spreadsheet. Okay.

LESLIE K. ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Yes. Leslie K. Arrington.

Q. With regard to this application, we're looking to do two things right?

A. Form a unit, yes.

Q. And?

A. And pool it.

Q. Okay.

A. Yes.

Q. And when we form large units, we also notify people that you have leases from, correct?

A. Yes, we do.

Q. Okay. So, the list in the notice here contin...in the notice of hearing contains the names of a bunch of people that you have leases with?

A. That's correct.

Q. And the reason...what's the reason why you notify lessors when you're creating a several thousand acre unit?

A. In general, your lease terms do not allow you to have anything bigger than say a 640 acre maybe 180 acre unit. So, that’s the reason they’re included. We give them notice to let them know what we’re doing.

Q. Okay. And you’re noticing them with regard to the first of the two things that you’re talking about and that is creating a sealed gob unit?

A. Yes.

Q. Have you provided the Board with an estimate of the acreage within this unit?

A. Yes, it's 3,386.50 acres.

Q. Okay. And have you provided the Board with a metes and bounds description of this proposed sealed gob unit in your application and in your notice?

A. Yes, we have.

Q. Okay. And that metes and bounds description has that been following...was that given following this Virginia State Plain Coordinate System?

A. Yes, it is.

Q. And in addition to giving the total acres and the metes and bound description have you provided the Board with several maps of the unit?

A. Yes, we have.

Q. Okay. One of the maps is Exhibit A-1 and

that shows the proposed sealed gob unit in relation to the Oakwood grid, is that correct?

A. It does.

Q. Okay. And then if we flip to the page that follows that in the application there is actually a map that shows the Oakwood grid, shows the boundary of the unit but then shows the various tracts which then relates to the tract IDs that follow?

A. Yes, it does.

Q. Okay. And then eventually if you keep paging through this is there..is there a map that you provided to the Board with a bunch of dots on it that shows the existing wells in this sealed gob unit?

A. Yes, we do have one.

Q. And that...and I think somewhere in your application you actually report how many existing wells there are and I'm thinking there are 300...is it true that there are 341 permitted wells within this boundary?

A. I believe, that would be the right number. I can’t get my application, but I believe that’s correct.

Q. All right. And then...I’m trying to stay with the context here. Exhibit B, which we don’t normally provide in a pooling application, that’s the complete list of everybody who is either you have a lease from or you’re

seeking to pool as a respondent?

A. That’s correct.

Q. And then there’s an Exhibit B-3, which follows and that is a list of respondents on the pooling application?

A. That’s correct.

Q. And then eventually there is a well...some well cost exhibits. Have you calculated the average cost of a well in the area?

A. Yes, we have.

Q. Okay. And have you provided the Board with that as a Buchanan I sealed gob to average well cost exhibit?

A. We did.

Q. Okay, and who prepared that?

A. I did.

Q. Okay. And what’s the average well cost that you came up with?

A. It was $240,750 to an average depth of about 2100 feet.

Q. Okay. And later on in your exhibit or in the exhibits to this application, there is a cost document which tells the Board how many wells were proposed to include within the allocable cost, correct? And that would

be how many wells?

A. 18 wells, that’s for 9 long wall panels, 2 wells per panel. That’s for a total of $4,333,500.00.

Q. And this is part of Exhibit G?

A. It is Exhibit G.

Q. And then you also including the cost to install seals to seal this gob area off from the rest of the mine?

A. We did.

Q. And what’s the cost...how many seals and what’s the cost in that regard?

A. That total cost was for 94 seals at $23,000 a piece for $2,162,000. The total cost for this area is $6,495,500.

Q. But you’ve actually paid to drill 341 wells?

A. We did.

Q. Okay. Have you provided the Board with a listing of the Oakwood units within the boundary of this proposed sealed gob unit that are subjected to Board orders?

A. Yes, we have.

Q. And that’s Exhibit F which is not the last exhibit but close to the last exhibit in the packet?

A. Yes, it is.

Q. Correct?

A. Yes.

Q. And there are obviously a number of those... a number of the units that are subject to pooling orders?

A. Yes, it is.

Q. Okay. And would potentially be affected by this unit?

A. Yes.

Q. Is it your opinion that 18 wells will be sufficient to drain this unit in an efficient way?

A. 18 wells in our estimation is absolutely the minimum number of wells. If you recall, we were here several months ago, maybe last year or a year before, on another unit that was rather large. In that unit, we had 296, I believe, wells in that unit and the last count I had, we were producing out of 184 wells out of that unit.

Q. In spite of the fact that you only allocated close to a handful?

A. Correct.

Q. Would that be your intention here as well?

A. Absolutely. We are...right now we are producing much more...many more wells than that out of this unit.

Q. Because you've got all these pooling orders?

A. Pooling orders plus mining is there.

Q. I understand, but there's you know pooling orders and there's 300 wells in this unit?

A. Yes, that's right.

Q. Okay. Has there been a historical number of wells per long wall panel in these kinds of units that you've asked for when you've come before the Board?

A. Yes, sir, there is a number of wells and normally gob wells there is approximately 30 wells per each one of these units here. There may be a few more than that per unit. Well, there's 6 in the first 1,000 feet of each panel and then they're spaced 500 feet apart.

Q. So, I think you said 30 wells per unit. Do you mean 30 wells per panel normally?

A. Yeah, per panel. Yes.

Q. And historically what of that large number of wells per long wall panel, what have you asked the Board to allow you to allocate as a number of wells to the well cost category?

A. In the sealed gob unit?

Q. Yes.

A. Two. Normally, we have been asking for one

and now we're asking for two.

Q. And why is that?

A. Because we're producing so many wells out of these units.

Q. The gas is there?

A. Yes, it is.

Q. Is there active mining in the Buchanan No. 1 mine at the present time?

A. Yes, sir.

Q. Are the seals already in place?

A. Yes, sir.

Q. And when was the mine sealed?

A. I think it was...the active...the actual sealing was October 1 and we would be asking that the production be allowed to begin as of October 1, 2008. Right now we're only paying for 60 days back so we're paying for production on September right now. So, you know, we're in time.

Q. But if this application is approved you would ask that the Board at least make the payment to the various people in this large unit that the allocation of those payments be as of October 1?

A. Yes, we would.

Q. And everyone who's named as a respondent in

Exhibit B3 would...that’s who you’re seeking to pool here, right?

A. Yes, it is.

Q. Okay. And, obviously, you’re not seeking to pool your lessors?

A. No.

Q. And you’ve listed the people that are not entitled to an election because they are leased and so forth in Exhibit D so there’s no confusion?

A. We did.

Q. Okay. I think that’s about all I have. Is it your opinion, Les, that utilizing a minimum of 18 wells and obviously a maximum of more than 100 would be a reasonable way to extract coalbed methane gas from this sealed gob area and portion of Buchanan No. 1 mine?

A. Yes, it is.

Q. And is it your further opinion that if you combine the leasing that you’ve been successful in within this area with a pooling order that the correlative rights of all owners and claimants would be protected?

A. Yes, it would.

Q. And in that regard, what amount of this...what interest in this unit has CNX been able to lease and what is it that you’re seeking to pool?

A. We've leased 99.9147% of the coal owner's claim to coalbed methane and 94.0736% of the oil and gas owner's claim to coalbed methane. We're seeking to pool 0.0853% of the coal owner's claim and 5.9264% of the oil and gas owner's claim to coalbed methane within this unit.

Q. Have you provided and normally I would ask you to list this but the list is pretty long, have you provided in the application an Exhibit E, which you've listed all of the tracts and all of the folks in those tracts whose interests are subjected to escrow?

A. Yes. Yes, sir, we have.

Q. And in a couple of instances there are address unknown or unknown heirs and you've indicated that with regard to every tract where that's an issue, correct?

A. We have, yes, sir.

Q. Okay. And two instances, I believe, there's also a title conflict and have you indicated that in Exhibit E?

A. Yes.

Q. And would you simply refer the Board to Exhibit E as a complete list of all tracts that need to have funds escrowed for any reason?

A. Yes, we do.

Q. Okay. Are there actually split agreements

in this unit as well?

A. Yes, shown on Exhibit EE.

Q. And I think if I'm not...if memory serves there are actually quite a few folks who have reached split agreements here. We've got fourteen pages of people?

A. Yes.

Q. Will you again refer the Board to the Exhibit EE and the fourteen pages therein for an identification of people who have entered into written split agreements?

A. Yes, it is.

Q. And are you requesting in the event that this unit is created and then pooled the opportunity and ability as operator to pay the people who have split agreements directly rather than escrowing their funds?

A. Yes, we would make that request.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, with regard to these split agreements are they varying in terms of the agreements?

A. I believe all of them are 50/50.

Q. So, in this instance, you think they are

all 50/50?

A. Yes.

MARK SWARTZ: Okay. Madam Chairman, I think that’s all I have.

PEGGY BARBAR: Mr. Osborne.

KENNETH OSBORNE: I have several concerns on this. Somewhere within the Exhibit EE, the split agreements, one particular gentleman that was here today is my cousin Ronnie, Ronnie Osborne. They have been listed here. They have Ronnie and Sherry Osborne listed as being a split agreement. Ronnie Osborne, the contract that he signed should be null because Sherry Osborne his wife has power of attorney for him and, again, it's still listed along with paperwork in Buchanan County courthouse. Also, just...just to make sure I'm right. We have Exhibit D here that says, “List of leased owned...leased/owned interest being voluntarily pooled (inaudible) additional election.” And it has got several names here listed under Linkous Horn heirs, Henry Horn heirs, Ivery Horn heirs, Robby G. Elder, Ernest Horn heirs and Dorothy Horn. Now, all of those except for the one is deceased. I'm trying to understand what they mean by “voluntarily pooled”. I apologize, that's Exhibit D under Tract 26A, 51.07 acres.

SHARON PIGEON: What page are you on?

KENNETH OSBORNE: I apologize again. I'm on page thirty-six of forty-four.

MARY QUILLEN: Who did you say was deceased?

KENNETH OSBORNE: Henry Horn, Ivery Horn, Ernest Horn and Dorothy Horn.

MARK SWARTZ: That's why we have listed them as having heirs, devisees, successors and the sons.

MARY QUILLEN: That Dorothy Horn isn't.

MARK SWARTZ: She, obviously---.

MARY QUILLEN: Is she one of Ernest Horn's heirs?

KENNETH OSBORNE: She was Ernest Horn's wife. But Ernest Horn had no kids. So, there's no heirs to that.

SHARON PIGEON: Are you saying that Dorothy Horn is now deceased?

KENNETH OSBORNE: Yes.

MARK SWARTZ: Right. And we did not know that until this moment.

KENNETH OSBORNE: Yes, you were notified.

MARK SWARTZ: But I would point out, with regard to 26A, the only people we're claiming that we have a lease from and the way this is drafter is Robert G. Elder and Dorothy Horn. That's it. I mean, we're not...that's why they have those tiny little percentages there. So, this is a list of folks that we have a lease and voluntarily

pooling. Those are those two people.

KENNETH OSBORNE: There's also a heir from Henry Horn that CNX has been notified is also deceased and he's not even listed on here.

MARK SWARTZ: If we don't have a lease, we wouldn't list him here.

KENNETH OSBORNE: (Inaudible). I'm not following you. If you---.

MARK SWARTZ: Okay. This is a list of...not to be argumentative. But this is a list of leased owned interest being voluntarily pooled. If we don't have a lease from somebody, they wouldn't be on this list.

KENNETH OSBORNE: So, you're saying you have a lease from Henry Horn.

MARK SWARTZ: No. On Exhibit D, I don't know what you're looking at...yeah, we are not saying we have a lease from any of the Henry Horn heirs.

SHARON PIGEON: Mr. Osborne, normally...I know you've been here several times. Normally, we don't have this Exhibit D. This is a different exhibit than we usually have. So, that might be confusing you because we don't normally have an exhibit listing leased interest.

MARK SWARTZ: Correct.

SHARON PIGEON: And so I think what you're looking

at is basically the opposite of what you're used to seeing. Usually, we have a list of unleased. But this is specifically a list of leased interest that we normally don't have as an attachment to one of these applications. The reason being, due to pooling a large unit like this, the lease terms require that they get the opportunity for notice on this, according to the testimony that we've just heard. Obviously, we haven't seen those leases and don't know that. That was the testimony. So, I think this Exhibit is confusing and for that reason it's not normally part of our package.

KENNETH OSBORNE: Okay. Unless I...unless I just overlooked it, these would also go under the...Tracts 23H, which is the O. H. Keen, which is also involving the same people.

SHARON PIGEON: This same Exhibit D, is that what you're saying?

KENNETH OSBORNE: Yes, ma'am.

SHARON PIGEON: And, again, this is just normally not an exhibit. These are interests that have previously been leased.

KENNETH OSBORNE: But these interest...the people that are deceased, their part should go back into the whole for the Linkous Horn heirs, correct?

SHARON PIGEON: Well, what they have on here is “successors or assigns”...”devisees, successors or assigns”. That's indicating that that was a decedent. That's what that tells us when we see this list.

KENNETH OSBORNE: Yes, ma'am. But as far as...as far as the Ernest Horn and Dorothy Horn goes, there is no successors.

SHARON PIGEON: Well, I don't know that. You're telling me that. I don't---.

KENNETH OSBORNE: Yes, ma'am.

SHARON PIGEON: ---have any reason to know and it's not going to affect what goes on this list. You know, if there is some sort of Will or interest that is now being passed on to successors or devisees that's not something that we're going to handle here. But what this list is telling us is they have leases with these individuals and we have a notation on here “devisees, successors or assigns”. They are acknowledging that individual has passed away already.

KENNETH OSBORNE: Okay. Just so I understand, they're saying that they have leases with these?

SHARON PIGEON: Correct. They have had leases with...when they were...before they were deceased when they were alive, that is correct.

KENNETH OSBORNE: Okay. Well, I guess that's where I'm really confused. To my knowledge, we have not agreed of any leases...especially the deceased people, in fact. I'm not sure how many years Ernest has been deceased, but I know I didn't have a lease with them, nor did Dorothy. I notice you were talking about the...where we chose not to make an election and they were deemed volunteered lease, if that's what you're talking about. If it is, that's not only to me, but I'm sure that's totally confusing to most of my family members.

MARTHA WILLIAMS: May I?

PEGGY BARBAR: Do you want to swear her in?

(Martha Williams is sworn.)

COURT REPORTER: You need to state your name, please.

MARTHA WILLIAMS: Martha Williams, Linkous Horn heir. My address is Salem, Virginia. Ernest Horn himself passed away January of 1979.

KENNETH OSBORNE: And to my knowledge, these leases come into play in the '90s.

MARTHA WILLIAMS: If you had a lease from Ernest Horn...Ernest James Horn, is should be, you went way back to get it. Robert G. Elder, why is his name even listed with the Linkous Horn heirs?

MARK SWARTZ: Were you asking me a question?

MARTHA WILLIAMS: I'm asking you, yes.

MARK SWARTZ: Okay. We do not show or claim a lease from anyone except Robert G. Elder and Dorothy Horn in Tract 26A.

MARTHA WILLIAMS: But who---.

KENNETH OSBORNE: When did Dorothy Horn sign the lease?

MARK SWARTZ: We didn't bring all of our leases with us.

KENNETH OSBORNE: And also---.

MARK SWARTZ: No, no, let's stay with this. Let's stay with this. I don't have a problem with people coming here and saying, I didn't sign a lease or they've made a mistake with regard to me. I don't think it is fruitful to be talking about forty-four pages of people who aren't here. I mean, I'm prepared to answer questions. Anita is prepared to...because she does these exhibits and certainly any questions that you might have about this, but, you know, we are showing Dorothy Horn as a leased party. We are showing Robert Elder as a leased party. We also have a Tract 26A entry in Exhibit B-3, which lists a whole bunch of people in this family that we are acknowledging that we do not have leases with.

MARTHA WILLIAMS: Mr. Swartz, I very much respect what you just said, but what I'm saying to you is that it's actually impossible that you had a lease with Ernest Horn.

MARK SWARTZ: And I'm not arguing with that.

MARTHA WILLIAMS: I know. But I'm just telling you, he deceased January of 1979.

MARK SWARTZ: And if we listed him here as our lessor and you told me he died in 1970, I would think that there was a mistake.

MARTHA WILLIAMS: I said '79. I would definitely think there is a mistake.

MARK SWARTZ: Right. But we haven't listed him.

MARTHA WILLIAMS: You just said that you had an agreement with Ernest Horn.

MARK SWARTZ: No, Dorothy Horn.

MARTHA WILLIAMS: That's his wife.

MARK SWARTZ: Right. And that's who we have listed as someone we have a lease from.

KENNETH OSBORNE: Could you tell me when and how you obtained that lease?

MARTHA WILLIAMS: Yeah, you should...do you have a date?

MARK SWARTZ: I just told you, we have not brought, you know, hundreds of leases with us.

MARTHA WILLIAMS: But you can...when we're here in December, you could bring a date as to when you obtained the lease from---.

KENNETH OSBORNE: But as far as that---.

MARK SWARTZ: Well, actually, you know, if we have this stuff here and have an ability to answer your question, yes. If you were Dorothy Horn or her family, I would...you know, I would be interested in pursuing that, but you not.

KENNETH OSBORNE: Mr. Swartz, for the sake of argument---.

MARTHA WILLIAMS: Yeah, actually we are.

KENNETH OSBORNE: ---I am designated spokesman for the Linkous Horn heirs. Also for the sake of argument, unfortunately, Dorothy Horn was one of the family members that did not know how to read and/or write. So, any documents placed in front of her for her to her sign...and I also know that she did not have an attorney, any documents placed in front of her to sign...well, at least, she was certainly taken advantage of.

MARTHA WILLIAMS: Right. That is true. But Dorothy is also deceased and she has been gone for ten years.

MARK SWARTZ: All I'm saying is, these are the people that we claim we have leases with.

MARTHA WILLIAMS: It's just...I respect this. I just...all I'm asking is, I would like an explanation because these people have...they're deceased. I don't think they came back from heaven. I know they wouldn't have come back from hell. But I don't think they would have come back from heaven. I'm sorry, but---.

KENNETH OSBORNE: At this point, I request until other information is provided, that this permit not be granted. Also, another concern I have, is on the O. H. Keen, this would be an Exhibit A, that this is...to my understanding, this is a...Exhibit A is a tract...or a scale map. I may even be saying this wrong, Exhibit A, Mr. Arrington. It would be page...the page is not marked. It's listed Exhibit A. I think you said this was a grid map.

LESLIE K. ARRINGTON: That's the Oakwood grid shown on there with the existing sealed gob unit.

KENNETH OSBORNE: Okay. My concern is also the Linkous Horn this would go under the O. H. Keen heirs. It is listed...with these gob wells too it's...this is to protect everyone's interest, correct?

LESLIE K. ARRINGTON: Yes.

KENNETH OSBORNE: If you'll bear with me just for one moment here. On page five of eleven, Buchanan No. 1, the SGU2 tract identification it lists the O. H. Keen heirs,

number 23H. If you look at Exhibit A on the grid map, that puts 23H...to me, it looks like that puts 23H in between W-34 and W-35. But they're only showing one listing that's supposed to involve 5.17 acres. There's two tracts with that W-34 and W-35 and each tract, I think, is...I don't know the exact, but I know at least 15 or more acres. So, that's actually thirty some acres. I don't understand how...I don't understand why that's not listed with the other tract identifications, why it would be split in between the 34 and 35 grid.

LESLIE K. ARRINGTON: Well, first of all---.

PEGGY BARBAR: Let me just stop and say this, it appears that you have numerous questions about this case. Far too many for me to follow mentally. I'm curious as to whether or not we could get you to put in writing every area that...one by one the items that you have questions for the folks from CNX and Mr. Swartz so they can know where to refer to then because I don't know about the rest of you, but I just feel like we're jumping around from one thing to another. I'm not following. I don't think we get clear on one thing before we jump to another. Then we don't get clear on that and we jump to something else. How do you feel---?

MARY QUILLEN: Ma'am, Chairman, because of these

leases and we actually don't have anything to do with leases, that they should schedule a meeting directly with the CNX folks and they could go over these leases if they had a list of the ones that they have in question.

PEGGY BARBAR: That's what I'm getting to. Get your items one by one and address those items with these folks one by one and get those resolved. But those, like Ms. Quillen said, are things that we don't---.

MARY QUILLEN: Have any---.

PEGGY BARBAR: ---any---.

MARY QUILLEN: ---authority to---.

PEGGY BARBAR: ---jurisdiction over.

KENNETH OSBORNE: Yes, ma'am, I understand. That is a very good idea. Also, would that...granting a permit for the gob wells, isn't that going to interfere with trying to figure this out?

PEGGY BARBAR: David, can you give some guidance on the---?

MARK SWARTZ: We already have the---.

DAVID ASBURY: Madam Chairman, I think, and Ms. Pigeon can weigh in on this too, but I think the Board has heard considerable amount of conflicting testimony from the Linkous Horn heirs and the O. H. Keen heirs today. So, I think in the interest of time and protection of correlative

rights and other issues, that maybe those spokesmen for those heirs, as well as CNX should get together and maybe come back to the Board once those issues are resolved for this pooling.

SHARON PIGEON: Well, just clarify a point or two. We're not here about a permit. This is about creation of a unit and pooling it. This isn't a procedure for a permit. Again, we are not...this Board, and I'm not a member of the Board. I'm just here to advise them. The Board does not have any jurisdiction over contract issues, which is what a lease is.

DAVID ASBURY: Or leasing.

SHARON PIGEON: So, it's important that you get your questions answered, but that's not going to be something that this Board is going to get involved in. That they're not going to interpret a contract or a lease document. They're not going to try to interpret the probate, whether distribution has followed appropriately or who died when. This exhibit that you're focused on, Exhibit D, again, is not an exhibit that is normally a part of what this Board has before them for consideration. As far as what has been presented to the Board today, the applicant has met their initial burden of proof. They've had people come in and testify as to what they know about this

application. The two of you have legitimate questions, but all you have are questions. You have presented any sworn testimony to anything and you are neither one attorneys, which have the right to go forward and cross examine these folks as an attorney would.

MARTHA WILLIAMS: Ma'am, we're not trying to do that...any of that. We know it's not an actual sitting of a courtroom. But we are told...like Rick Puckett was here today, what he was telling you, see so much stuff has just been rubber stamped. But when we call like Bob Goodladd or Morgan Griffith or Vergil Good or, you know, some of these people who are supposed to be representing us that we pay a salary to, they have told us that when we have concerns like this we need to bring it to you guys first. That you guys are to see that they do furnish us with the information that we ask for. Like if we have a question, like especially my uncle Ernest Horn, who has been deceased since 1979, and they say they have a lease...a written lease---.

MARK SWARTZ: Ma'am, we say we don't.

MARTHA WILLIAMS: Well, you have on the...you just said you did.

MARK SWARTZ: No, no. I have said repeatedly, we are not claiming---.

MARTHA WILLIAMS: Okay. Well, you're saying---.

MARK SWARTZ: ---to have a lease---.

COURT REPORTER: One at a time, please.

MARTHA WILLIAMS: You say you have one with Dorothy Horn---.

MARK SWARTZ: Correct.

MARTHA WILLIAMS: ---who is deceased also.

MARK SWARTZ: And she died recently.

MARTHA WILLIAMS: No, she died ten years ago. She's my...you know, I was there at the funeral and the whole thing.

MARK SWARTZ: Okay. That's relatively recent.

MARTHA WILLIAMS: Okay. They are telling us that we are to bring these concerns to you guys and then...that you guys should encourage them to or whatever to get us the information. We really would like to know exactly...okay, this is what they said. Tell you exactly what we want and you're to help us get it. We want a list of every person who has signed a split agreement who is a Linkous Horn heir or a O. H. Keen. We also would like anybody that you have a lease...a signed lease with the Linkous Horn heirs or the O. H. Keen. This is all we're asking for.

KENNETH OSBORNE: Madam Chairman, this...the hearing today, this is...it appears to be for two things, creation of a sealed gob drilling unit, number one, and

number two for pooling. The Board is relying on information that is supplied by CNX, correct, to base this decision?

PEGGY BARBAR: That's what we have in front of us.

KENNETH OSBORNE: Okay. Then...okay, back to the question then of this 23H, which directly involves us and our minerals. Again, looking at the grid, it looks like it is split between W-34 and W-35. They're speaking of 5.17 acres. What involves us on the O. H. Keen part, again, is 34 I think is...I could be off an acre or two, but 15 acres and 35 is 15 or 16 acres. That's 30 some acres. I don't understand...I don't understand how they're coming up with 5.17 acres and it's split between this grid. How can that be...to start with, how can that be properly gauged to who gets what when they pull out of these gob units?

MARY QUILLEN: Madam Chairman, I think if you look at that, that's just the printing of identifying this little tiny section that's in the corner 34W. It doesn't mean that that whole area where it's printed is the actual location. That's just identifying that little section that's there in the corner based on what they have.

KENNETH OSBORNE: It looks to me like it's triangled and it's right in the---.

MARY QUILLEN: But because it's printed across there doesn't mean it goes across into another unit. That's

just the printing. There was not enough room to print that particular identification in that little tiny area down in the southeast corner of that unit. I'm I interpreting that right.

PEGGY BARBAR: Can you see---?

MARK SWARTZ: We caught a little triangle of the total tract. There's just a bit of that land...and you can see it on the map. I mean, you could assume that it runs off the boundary and it does. That's the explanation as to why there's only five acres.

MARY QUILLEN: And that's the reason that it is in that 23H is that little corner...that little triangle that's in the southeast corner and not that whole rectangle where it identifies it as 23H is what it looks like to me.

MARK SWARTZ: We have a map that shows the whole tract. I mean, it's hard to see here, but here's the little bit of the top of the tract that we caught and then the tract goes down below the boundary of the unit and the majority of it is down south of that boundary. That's why there's...you know, we measure what's in the unit and not the total tract and that's common. If you're on the border, your whole tract isn't going to be caught. Obviously, this is a situation...

you know, we have an arbitrarily place this line we're at an

entry. You know, that's where it needs to be.

BILL HARRIS: May I ask a question about that? How is that boundary determined?

MARK SWARTZ: Well, you can see the mine plan on here, Mr. Harris. Maybe you can't see it very well.

BILL HARRIS: Okay. Yeah, I see where the blocks---.

MARK SWARTZ: But you see we're up against the block. It's a place where you would end it.

BILL HARRIS: Sort of a natural...well, I won't say natural because it's---.

MARK SWARTZ: But given the configuration of the mine, it's a sensible place to do it.

BILL HARRIS: Yeah.

MARK SWARTZ: And we're just catching that upward triangle piece of the tract, which is why the acreage isn't all of it, which happens a lot. I don't want to prolong things, but I would...regardless of what you guys do with that, we would entertain receiving a list of questions because I think things get kind of random and answering them. You know, I will say though, that there are...that we have some limitations. We are not really in a position to share split agreements with people who haven't signed them. I mean, they're private agreements and we're not going to go

around getting, you know, permission. But, you know, if one of the questions was, confirm that you actually have a split agreement, you know, on file from this party, we would say, we'll go back and confirm that, you know. Confirm that you indeed have a lease from the widow in 26H and the date of that lease. We could certainly give them, you know, a memorandum of lease information and we would respond to that. Whether or not we have, you know, action by the Board today approving this or not, we would do that. A problem that I think we have sometimes is we just get random questions and we literally would have to bring a room or several semis of filing cabinets to answer them, you know. So, if you give us...me or Les written questions, you know, we will do our best to respond to them. We would pretty much do that for anybody. But, a problem we have here---.

PEGGY BARBAR: How about the items that Ms. Guillen outlined? How about the items that she wanted?

MARTHA WILLIAMS: Well, just give us a time.

MARK SWARTZ: She can give us a list.

MARTHA WILLIAMS: We don't mind coming to your office, Mark.

PEGGY BARBAR: I do think you need to make it in writing to them because---.

MARK SWARTZ: I really want it in writing---.

PEGGY BARBAR: I mean, there's---.

MARK SWARTZ: ---because it's just so much more focused.

MARTHA WILLIAMS: I would gladly do that, but---.

PEGGY BARBAR: I mean, there's too much for them to remember.

MARTHA WILLIAMS: We can go to the courthouse and pull up a property deed title. When we buy a house, that goes in the Sunday paper. I'm sure everybody here has read that. If your neighbor sells his house, you can't wait to see how much it got or whatever. As owners, we have the right to know who signed this. I mean, this is according to these guys that are in Washington and Richmond now. You know, I mean, that's what they tell us to do is bring it to you guys because we have had a real problem...everything is just getting rubber stamped and then it's compiled on top of everything else and nobody knows what's going on. It just gets kicked aside. They keep getting the permits. We keep spending all of this money coming down here and back. These guys get paid every time they come here. We don't. We have families...I guarantee you I have the same expenses at my house that both of them have.

KENNETH OSBORNE: In conjunction to this, Mr. Swartz or Mr. Arrington either one, exactly where...this

particularly 23H right here, exactly where is that on Exhibit AA map?

MARK SWARTZ: It's not. It's a different map. It's not a property.

BILL HARRIS: Excuse me, is there not a little triangular section at the bottom? None of those...but above the 3386.5 acre, when I go about a half an inch above that I see an inverted---.

MARK SWARTZ: Oh, there's a different map. Okay, there's---.

BILL HARRIS: Inverted triangle...well, a triangle there that...I believe that's the reference---.

SHARON PIGEON: Is that A?

BILL HARRIS: I think that's the 23H.

MARK SWARTZ: Well, there's one well location map that does have that piece on there, but there's another one that doesn't.

SHARON PIGEON: Exhibit A has it.

BILL HARRIS: Yeah, A-1 does not have it.

MARK SWARTZ: But this one, there's your...there's the top of your tract right there, I believe. Yeah, yeah. But there's another map like this that doesn't have these tracts on it. That's what I thought you were referring to. You know, another issue though we have sealed off an area of

an active mine and we need to be able to continue to produce from it and we would like to pay people properly. So, we would...you know, as opposed to paying under the existing orders. So, you know, we need to be able to continue to produce either from the existing wells that we don't have, you know, from a safety standpoint. If we don't have a unit and if we have a unit, we need to, you know, make retroactive to October the 1st so we pay people properly because if we have a mine that there's mining in you don't want pressure building up behind the seals in this sealed gob unit.

MARTHA WILLIAMS: May I ask Mr. Swartz a question?

(No audible response.)

MARTHA WILLIAMS: So, you do like to keep your credit good and you like to pay your bills on time, right? My husband and I---.

MARK SWARTZ: Sometimes in my life, my credit has sucked.

PEGGY BARBAR: Please make this a relative question to this item.

MARTHA WILLIAMS: Well, I hope it is, okay. My husband and I are not drawing quite as much interest on our CDs as we once were. See, we're not able to pay all of our bills either. We're getting some work done on our house,

like a new a furnace and a new roof. We need money to pay for that.

MARK SWARTZ: And---?

MARTHA WILLIAMS: And I do like to pay my bills on time.

MARK SWARTZ: And---?

MARTHA WILLIAMS: I just want you to understand that we have the same concern...I mean, we have the same concerns that you do. We're spending money coming here... this is a day off from work every time we come down here, plus a tank of gas. We...I live in Salem and he lives in Roanoke. Some of these people live in Peterstown, West Virginia. Some of them live in Princeton, Tazewell, Richlands...you know, we're all in the same boat.

MARK SWARTZ: Okay. I guess to stay with the question you're asking me, wouldn't it make sense for you to facilitate development of a resource that you own a piece of---?

MARTHA WILLIAMS: It would.

MARK SWARTZ: ---that you would---?

MARTHA WILLIAMS: It would.

MARK SWARTZ: ---receive funds on? I mean---.

SHARON PIGEON: Okay, folks.

PEGGY BARBAR: Okay, I'm going to cut it off here

and I think we agreed that you would put your questions and concerns about this docket item in writing---.

MARTHA WILLIAMS: I will

PEGGY BARBAR: ---to Mr. Swartz. I'm going to ask the Board if you want to...what action do you want to take on this today? Give me a motion.

DONNIE RATLIFF: I don't know what delaying it would serve. They're going to get their information one way or another. I move that we approve the pooling order.

PEGGY BARBAR: Okay, a motion to approve. Do I have a second?

BRUCE PRATHER: I'll second it.

PEGGY BARBAR: Seconded by Mr. Prather. All of those in favor, signify---?

BILL HARRIS: Are there questions before you---?

PEGGY BARBAR: Questions again.

BILL HARRIS: May I ask just a couple of quick questions?

MARK SWARTZ: Yes.

BILL HARRIS: And this may be to Les though. The seals, this is kind of a procedural thing. The seals, does the mining company have any responsibility in providing those seals. I noticed that they are being charged to the wells, but what normally happens if they were not

drilling...would they drill vertical ventilation holes or what would happen if this gas were not captured in the sense that we're doing it?

LESLIE K. ARRINGTON: In the sense that we're...it would be vented mostly likely.

BILL HARRIS: So, it would be vented to the atmosphere. Now, are there seals normally put in place between mined areas---?

LESLIE K. ARRINGTON: There are seals put in. However, these seals...we put in numerous seals at this point to seal off this point to seal off this area so we can collect this gas in this larger area. I mean, there's a lot of other reasons why we put them in there. But---.

BILL HARRIS: But the mining company would have no...I mean, why wouldn't they---?

LESLIE K. ARRINGTON: A good question. Good question. But you've got to remember, the mining company owns 81% of us. So, it's a charge to both of us.

KENNETH OSBORNE: Mr. Harris---.

MARY QUILLEN: Madam Chairman, I have just one question that I wanted to ask Mr. Arrington. You said this gob pile that is sealed...not gob pile, but---.

MARK SWARTZ: Well, it is---.

MARY QUILLEN: Well, it is. But, anyway, it's

sealed from active mining. Now, is this on...if you're going west on 460, is this in an area on the right of 460 or is it on the left?

LESLIE K. ARRINGTON: Okay. If you've going toward Grundy—?

MARY QUILLEN: Uh-huh.

LESLIE K. ARRINGTON: ---it's going to be on the right.

MARY QUILLEN: Okay. So, there is active mining then still going on in connection with this gob area?

LESLIE K. ARRINGTON: Not with this...it is adjoining this area, but not within this area.

MARY QUILLEN: Adjoining it. Yes, right.

LESLIE K. ARRINGTON: Correct.

MARY QUILLEN: And that's the reason for sealing that?

LESLIE K. ARRINGTON: Let me answer you in this direction. This is our panel...our longwall panels one through nine.

MARY QUILLEN: Right.

LESLIE K. ARRINGTON: We're mining panel eleven now.

MARY QUILLEN: Yeah.

LESLIE K. ARRINGTON: Okay. So---.

MARY QUILLEN: Okay. Yeah. I just wanted to clarify that.

PEGGY BARBAR: One more quick question from you.

BILL HARRIS: Yeah, one more quick question. Let me kind of get an overview of what you're asking us to do. We're...are we replacing the wells that are there now, 341? Are talking about converting some of those or closing those? I guess, I'm a little confused about 18 gob wells. Are these some of the ones that are there or are these different wells or are these---?

LESLIE K. ARRINGTON: No. All of the wells that you see there exist today.

BILL HARRIS: Okay.

LESLIE K. ARRINGTON: All of them exist. We will probably not plug but just very few of them until mining is completely away from it and until, you know, a long time from now.

BILL HARRIS: Okay.

LESLIE K. ARRINGTON: In most of those, I hope will stay in production. As I told you previously, in the last large sealed gob unit that we brought to you, I believe there was 297 wells. When we first come in, I think we were only producing like 30 wells out of there. The last time I checked there was a 184, that's been a couple of months ago,

producing out of that unit. I hope to continue to produce a like number out of here.

BILL HARRIS: Now, what are the 18 then? That's...this what confuses me.

LESLIE K. ARRINGTON: That's 2 per panel. Each... you can kind of tell on there. I think she has got it right here. You can see the longwall panels here and she has got a larger map. But what I'm asking for, there's 341 wells in there. But I'm only asking for the costs of 2 wells per longwall panel that's going---.

MARK SWARTZ: From an allocation standpoint.

BILL HARRIS: Okay, okay.

LESLIE K. ARRINGTON: You know, I could have come in and said, hey, we've got 341 wells in here at 240,000. We're not doing that.

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

KENNETH OSBORNE: Madam Chairman---.

PEGGY BARBAR: Okay, Bill?

(No audible response.)

PEGGY BARBAR: All right, we have a motion to approve---.

SHARON PIGEON: Discussion is---.

PEGGY BARBAR: ---and a second. Everybody

agreeing signifying by saying yes.

BILL HARRIS: Are you asking for the---?

SHARON PIGEON: She asking for a vote on the motion.

PEGGY BARBAR: We already have a motion. Donnie made the...Mr. Ratliff made a motion and Mr. Prather seconded it. All in favor, signify by saying yes.

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

PEGGY BARBAR: Anyone opposed?

KATIE DYE: Abstain.

PEGGY BARBAR: Mrs. Dye abstains. You have approval.

KENNETH OSBORNE: Madam Chairman, there's one more question I wanted to get clarified. I mean, I understand you all just voted. Mr. Harris asked a question to Mr. Arrington and I think his answer was it would be vented. Were you talking about the gas?

BILL HARRIS: If you were not...if we did not drill...what would the coal companies normally do if this were not drilled top get the gas out? That's why I asked about the vertical ventilation...the VVH. They would just drill holes a ventilate.

KENNETH OSBORNE: I think Mr. Arrington answered

that it would be vented?

BILL HARRIS: Yes, I believe that was his---.

KENNETH OSBORNE: Maybe I...I could probably get educated here right now. I thought it was illegal to vent---.

SHARON PIGEON: The discussion on this finished. We've voted.

KENNETH OSBORNE: I guess the question, how would they vent it?

LESLIE K. ARRINGTON: To the...it is vented to atmosphere.

MARK SWARTZ: To the atmosphere.

PEGGY BARBAR: You might want to put that on your list of questions to Mr. Arrington. We're going to take a ten minute break.

(Break.)

PEGGY BARBAR: Okay. We're going to now here docket number thirteen. A petition from Appalachian Energy, Inc. for pooling of coalbed methane unit H-38, docket number VGOB-08-1118-2368. Everyone interested in testifying in this case, please come forward.

JIM KAISER: Madam Chairman and Board members, Jim Kaiser, Justin Phillips and Frank Henderson on behalf of Appalachian Energy.

PEGGY BARBAR: Okay. Did we...did we swear these people yet, Jim?

JIM KAISER: No, they haven't been sworn.

(Justin Phillips and Frank Henderson are duly sworn.)

JIM KAISER: This is a unit we previously sought permission to drill and increased density well and were granted that permission. Now, we are pooling the unit. So, you'll see that it's unit H-38 and there's two wells, AE-206 and AE-207. Mr. Phillips, will be my first witness.

JUSTIN PHILLIPS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. If you could state your name for the Board, who you're employed by and in what capacity.

A. Justin Phillips, Appalachian Energy, Inc. I'm the land manager.

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

A. Yes, I am.

Q. Does Appalachian Energy own drilling rights

within this unit?

A. Yes, we do.

Q. And prior to the filing of this force pooling application, did you make an effort contact and reach a voluntary lease agreement with each of the interest owners within this unit?

A. Yes.

Q. At this point in time, what is the percentage of the gas estate that's under lease to Appalachian?

A. All of the gas and 98.764% of the coal.

Q. So, it's a 100% of the gas estate and 98.764% of the coal estate?

A. Yes.

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

A. Yes.

Q. So, at this point in time, the only interest that remains unleased is 1.236% of the coal estate, correct?

A. That's correct.

Q. No unknown and unlocateables?

A. No.

Q. Okay. Are you requesting this Board to

force pool all unleased interest as listed at B-3?

A. Yes.

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

A. Yes.

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

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

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

A. Yes.

JIM KAISER: Now, as to the people who remain unleased and their statutory election options, now, Madam Chairman, I'd ask that the testimony that was taken previously in item number two today, which is 22887-01, with your permission and the agreement of my client, Appalachian, be incorporated for purposes of this hearing.

PEGGY BARBAR: That will be incorporated. Do you affirm those?

JUSTIN PHILLIPS: We accept those.

FRANK HENDERSON: Yes.

Q. We don't have any conflicting claimants in here either, do we?

A. We do not.

Q. So, the Board does not need to establish an escrow account?

A. No, they do not.

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

A. Appalachian Energy, Inc.

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

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: You may---.

FRANK HENDERSON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Frank Henderson, Appalachian Energy, President.

Q. And go ahead and state the total depth of both of the wells starting with 206?

A. Well number 206 the depth of 2,164 feet. Well number AE-207 1,583 feet.

Q. And now we do have a correction to make to our application as to the estimated reserves of the unit. The application states 250/250. What should the actual estimated reserves for this unit be?

A. 375 million.

Q. Okay. Now, are you familiar with the well costs for this well?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. The collective dry hole costs would be $288,118. The collective completed well costs would be $758,384.

Q. Now, when you say collective, you mean for

the two wells---?

A. For the two wells combined, that's correct.

Q. And do these costs anticipate a multiple completion?

A. Yes, they do.

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

A. Yes.

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

A. Yes.

JIM KAISER: Nothing further of this witness.

PEGGY BARBAR: Questions from members of the Board?

BILL HARRIS: I have a question. Mr. Henderson, on your...I think I have the right one here. This is CBM H-30...no, AE-207 and 206.

BRUCE PRATHER: 206.

FRANK HENDERSON: Yes.

JIM KAISER: Yeah, that's it.

BILL HARRIS: Just one suggestion. I noticed the proposed well and existing wells have this circle with the

lines in it. It's kind of hard to distinguish between those when it's in black and white. Is there...I know this done a computer. Do you know if...I don't know if you or Mr. Light or someone who's doing these, is there some other symbol that can be used for that? Do you know what I'm referring to? The little sunburst symbol. The circle with the---.

FRANK HENDERSON: Yes, I'm sure we could find a different symbol. That's kind of the standard gas well symbol. But we could---.

BILL HARRIS: Well, I noticed that one of them appears to be a little lighter. Is one blue and one red or something if you had a color copy of this? The only problem is this looks about the same.

FRANK HENDERSON: Here's a color copy and they're both blue. But maybe they didn't come out well in the black and white there.

BILL HARRIS: Is it a light blue and a dark blue or something? I'm just questioning about the symbols used for the proposed well and the existing well. It looks like... we're in black and white. It just looks like the same symbol.

PEGGY BARBAR: He's referring to legin at the bottom where you have the symbols for the---.

BILL HARRIS: Under the legin. I'm sorry I wasn't

clear on that.

JUSTIN PHILLIPS: Oh, it's red here.

FRANK HENDERSON: They're both proposed wells.

JIM KAISER: Yeah, neither one of them has been drilled.

FRANK HENDERSON: They're both proposed.

PEGGY BARBAR: So, they saying it's---.

SHARON PIGEON: You're saying it is the same symbol because they're in the same situation as proposed wells?

FRANK HENDERSON: I see what you're saying.

BILL HARRIS: Yeah, one says proposed---.

FRANK HENDERSON: If it was a proposed versus an existing, you would like see a different---?

PEGGY BARBAR: It would look the same.

FRANK HENDERSON: Okay. Other than color?

JIM KAISER: I think normally on the proposed they don't color in the circle. Maybe we can do that. I gotcha.

BILL HARRIS: I don't mean to be difficult here. But I just...you know, when I looked at that, I thought, oh, one is proposed and one is existing.

FRANK HENDERSON: Yeah, on the color copy it is very easy to see which...unfortunately, I guess we don't send those out to everyone. So, I'll talk to our surveyors

and get them to change---.

BILL HARRIS: There may be just a symbol with fewer spikes coming out or something. I don't know.

BRUCE PRATHER: Sometimes they just uses a circle for proposed.

JIM KAISER: Right.

FRANK HENDERSON: Okay.

BILL HARRIS: Like I said, I didn't mean this to be a major thing.

FRANK HENDERSON: No, that's a legitimate question. We'll talk to our LBL and have them make a change there going forward.

BILL HARRIS: Thank you.

FRANK HENDERSON: Thank you.

PEGGY BARBAR: Any other questions?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

BRUCE PRATHER: Motion to approve.

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

PEGGY BARBAR: A motion has been approved and seconded. Everyone in favor, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Anyone opposed?

(No audible response.)

PEGGY BARBAR: No one opposed. You have approval.

FRANK HENDERSON: Thank you.

JUSTIN PHILLIPS: Thank you.

JIM KAISER: Thank you.

PEGGY BARBAR: Docket item number fourteen is a petition from Equitable Production Company for pooling of coalbed methane. The docket number is VGOB -08-1118-2369. All persons interested in this case, please come forward.

JIM KAISER: Madam Chairman and Board members, it will be Jim Kaiser and Rita Barrett on behalf of Equitable Production Company.

PEGGY BARBAR: Okay. Ms. Barrett, we'll get you sworn in. Okay, you three on the end, would you please let me Michelle---.

RITA BARRETT: Actually, I think you guys are here for 7973.

PEGGY BARBAR: 2369 you two. Please state your name for the record. I think Mr. Kaiser has already introduced Ms. McGlothlin. Go ahead and please state your names for the record.

JESSICA JONES: My name is Jessica Jones. I'm here representing Hershel McCoy.

PEGGY BARBAR: Okay.

HERSHEL McCOY: My name is Hershel McCoy.

PEGGY BARBAR: Go ahead---.

COURT REPORTER: Hershel what?

PEGGY BARBAR: McCoy.

(Rita Barrett and Hershel McCoy is duly sworn.)

JIM KAISER: Are you an attorney?

JESSICA JONES: Yes.

PEGGY BARBAR: Are you ready, Mr. Kaiser?

JIM KAISER: Yes.

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. I'm Rita McGlothlin Barrett. I'm employed by Equitable Production Company in Big Stone Gap as Landman Three.

Q. Do your responsibilities include the land involved here and in the surrounding area?

A. It does.

Q. Are you familiar with the application that

we filed seeking to pool any unleased interest in this unit?

A. Yes.

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

A. We do.

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

A. They were.

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

A. 69.566967%.

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

A. A 100%.

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

A. They are.

Q. And so the interest that remains unleased in the gas estate is 30.433033?

A. That's correct.

Q. Okay. We do have some unknowns in this unit?

A. I have to look at it. Yes...yes, we do.

Q. Were all reasonable and diligent efforts made to try to attempt to locate these unknowns?

A. They were.

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

A. They are.

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

A. Yes.

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

A. I am.

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

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

Q. In your opinion, do the terms that you'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, as to the people that remain unleased, do you agree they be allowed their three statutory election options, and I ask at this time that the testimony regarding those options be incorporated again for purposes of this hearing?

PEGGY BARBAR: Do you agree to those?

RITA BARRETT: Yes.

PEGGY BARBAR: They will be incorporated.

Q. The Board does need to establish an escrow account here?

A. They do. Tracts 5, 7, 8, 9, 10 and 11.

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

A. Equitable Production Company.

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

A. 2,948 feet.

Q. Estimated reserves over the life of the unit?

A. 230 million cubic feet.

Q. Are you familiar with the well costs?

A. I am.

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

A. It has.

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

A. It does.

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

A. Dry hole costs are $193,754 and completed well costs are $445,000...I'm sorry, $445,757.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

HERSHEL McCOY

having been duly sworn, was examined and testified as

follows:

DIRECT EXAMINATION

QUESTIONS BY MS. JONES:

Q. Would you please state your name for the record?

A. I'm Hershel McCoy.

Q. And do you own a tract that's designated here as Tract 11?

A. I do.

Q. And are you opposed to the pooling of these rights and the drilling of the well?

A. Yes, I am.

Q. Do you have a well that you rely on for your...the watering of your animals and irrigation on your farm?

A. Yes, I do.

Q. Would that well be...the integrity of that well, could it possibly be harmed by the drilling of this well?

A. Yes.

Q. Do you rely heavily on that?

A. Yes.

Q. Would it be economically feasible for you to use your county water to make up for that if that well

was lost?

A. Absolutely not.

Q. How often do you use the water from that well?

A. In the last ten years, I have used it approximately sixty to seventy hours to water my crops and to water my animals. Where we've had the drought, if you've been around, everybody has, they know the drought, and there's no way that I can get enough out of this well at the rate of pay they offer to compensate me to take a chance for them to sink that well.

JIM KAISER: Madam Chairman, at this time, I'm going to object to this line of questioning because these are all permit issues. It should be handled at that...it's a bifurcated process in Virginia of force pooling and permitting and that where these issues should...and these objections should be handled.

HERSHEL McCOY: No, it should be handled here, man, because it was...

SHARON PIGEON: Has a permit been applied for?

RITA BARRETT: I'm sure it has.

SHARON PIGEON: But it has not been issued or anything at this point, is that---?

DAVID ASBURY: Was there an objection to the

permit filed within fifteen days?

JESSICA JONES: I do not know of any permit that has been filed.

HERSHEL McCOY: Well, I'll answer that. No, I didn't object because I didn't understand it. That's exactly how they've got where they're at today. People doesn't understand just like I can't understand how the State of Virginia would allow them to take the gas they way they are. I mean, we have no protection whatsoever. The individual does not. You all can go ahead and approve their application if you want to. There ain't nothing I can do because you all have done...the laws have done set in their favor. But somewhere along the line you're going to have to take responsibility. If they sink that well, there's no way that they will compensate me for that so...what it's worth to me. And if they drill...when they frac the ground it will do it.

JESSICA JONES: I'm not sure when the permit was filed or when the hearing on the permit if it has occurred or not.

HERSHEL McCOY: They have two more proposed wells adjoining my property the same way. I'm going to give you...right now I opposed.

JESSICA JONES: They're not talking about that.

DAVID ASBURY: We do have a process in Virginia. This is just so that you'll understand, what Mr. Kaiser was saying there's two different steps here, a pooling and then a permitting process. Once they do apply for a permit, and I don't know that there's...Mr. Kaiser and Ms. Barrett could help with looking at to see if a permit has been applied for this particular area or well in this unit, but once that permit is applied for you have...you are noticed and then you would have fifteen days to file your objection. Once that objection is received, and it has to be received in my office within fifteen days of the certified notice, then we would convene an informal fact-finding hearing shortly thereafter. At that point in time, the same parties would come and go over the objection and determine the facts in the informal fact finding hearing. If during the informal fact finding hearing there's an negotiated agreement, then the agreement would stand and that's the decision of the informal fact finding hearing. If there is no agreement, then my office would make a decision based on what I can hear and what our laws of Virginia allows me to consider for your objection. I would render a decision after that point. If you disagree or you receive a negative opinion from my office, either party has the right to appeal that decision to this Board and/or appeal that decision to the Circuit

Court system. So, those are the three steps that's possible. Anytime that we have an objection filed within fifteen days, if you have standing to object, and it sounds like you own the property and/or mineral or gas on that, you would have standing to object as a surface owner. Now, something else that would be important, Ms. Jones, for you and Mr. McCoy to understand too, Article 4 within our laws of Virginia, talks about coalbed methane well and water laws within the drilling of the coalbed methane unit. There are some protections in that, in Article 4, but all of our gas operators also have as one of their highest priorities the protection of ground water and well water. They do sample ground water and well water within 750 feet to a 1,000 feet of each well. Also, they are required...there are standards, which are not only state standards, but EPA standards in which the water that they utilize to drill a well meets those standards or they truck in public service authority water to drill the well. That is a protection of the ground water for that well. Additionally, in the permitting process, the permit requires typically a seven-eight inch steel casing cemented to the surface to a minimum depth of 300 feet. There's a four and a half inch casing that sometimes go as coal protection that goes further than that, sometimes more than a 1,000 feet. So, there is

several areas of protection for ground water and well water as far as well drilling. And addressing the fracing part, typically when a well is fraced, it's several 100 feet deep and several 100 feet below a well or, you know, a spring on the surface. So, there is considerable protection for ground water and well water in the state of Virginia, as well as an opportunity for well water lost to be recovered by the surface owner.

JESSICA JONES: And the time for this objection would be during the appeal for the permit?

DAVID ASBURY: If the permit---.

JESSICA JONES: Yes. If the permit was approved?

DAVID ASBURY: ---has been filed, everyone who has surface when a permit is filed has fifteen days to object and that's the time for the objection, yes, ma'am.

JESSICA JONES: We also would object to the pooling just as it being the involuntary pooling of his percentage of the property. As my client mentioned, just the fact that it will basically force him into basically taking away his property with very little recourse and basically no...not a lot of negotiating space there between him and the gas company. That would be our objection as this time. We would ask that you would deny the pooling on this application.

PEGGY BARBAR: Comments, Mr. Kaiser? Any follow up with---?

JIM KAISER: Well, I think Mr...as far as the water objection, I think Mr. Asbury did a good idea...a good job of talking about the water protection stream and casing that has to be set. It appears...I don't know where Mr. McCoy's water well is on this property. The well...the actual location of the well is at least 300 feet from his boundary. I assume maybe it's somewhere down here near one of these houses. So, it's going to be quite a distance away.

JESSICA JONES: It's across the road from his... where his house is.

HERSHEL McCOY: It's approximately...if I can do this right. I'm not no genius. It's probably within 300 to 400 foot or 200 to 400 foot.

JIM KAISER: Well, the closest...the way your property is shaped, the closest boundary of your property to the well would be at least 300 feet. So, it's got to be at least that far away.

JESSICA JONES: So, between 300 and 400 feet you think.

JIM KAISER: Yeah. It must be on the northen boundary of this somewhere.

RITA BARRETT: That is an inch equals 400 feet is the scale of that.

HERSHEL McCOY: An inch equals 400 foot?

RITA BARRETT: Yes, sir.

HERSHEL McCOY: Okay. This well is going to be within...it probably will be within a 150 to 200 foot of that boundary. It's going to be, I don't have my glasses, most likely within...within 400 foot of the well.

JIM KAISER: Okay.

MARY QUILLEN: Madam Chairman, may I ask one question of Ms. Barrett? Is this in Tract 11?

RITA BARRETT: Yes, ma'am, it is.

MARY QUILLEN: Okay.

RITA BARRETT: If I may...are these your houses right here, Mr. McCoy?

HERSHEL McCOY: I've got four barns on it. I didn't bring my glasses with me and it's hard to see. In Tract 11, my house would be right in here. One of them is my house, I believe. When did you all get this map? What did you take it off of?

RITA BARRETT: Our surveyors do surveys of each tract of land based on deeds that we provide them. They don't go on the ground.

HERSHEL McCOY: What I'm trying to say is...what

they got it off of before 1980 or after 1980---.

JESSICA JONES: He has five different tracts that go together and that would only be a portion of it. He owns about 35 acres on top of the mountain there. That all come together. So, he's trying to figure our exactly where this plot lays in accordance to his land.

HERSHEL McCOY: Well, I know pretty well where it lays, but I can't say exactly this is---.

JESSICA JONES: Is that your houses or not?

HERSHEL McCOY: Yeah. This is right here probably, but I can't really swear, you know what I mean.

RITA BARRETT: Okay. Well, that's the road going down to the---.

HERSHEL McCOY: Yeah, they run about 100 foot from the road.

JIM KAISER: That's (inaudible). That's got to be your house.

BILL HARRIS: Let me...I couldn't see where he was pointing. But where the road comes in, are we looking to the left of that?

JIM KAISER: Right.

RITA BARRETT: Down here. Right here.

BILL HARRIS: Okay.

RITA BARRETT: This is his tract right here.

BILL HARRIS: Yeah, 11 is. The road goes through the middle of that 11 and so---.

JIM KAISER: Yes.

BILL HARRIS: About half way through there is two black dots which are the structures.

JESSICA JONES: Yes. And then---.

BILL HARRIS: So, the house is one of those?

JESSICA JONES: One of those is the house, yes.

RITA BARRETT: Where his water well?

JESSICA JONES: The water well would be across the road. He has county for his home, but his...the feeding of his animals and such that's on the other side of the road.

JIM KAISER: The other side of 651?

JESSICA JONES: Yes. It would be over here where the well would be. So, it would be in that portion of the tract.

RITA BARRETT: The water well?

JESSICA JONES: Yes.

RITA BARRETT: Over in...it would be...the water well will be around in this area at some point.

HERSHEL McCOY: It's right there next to the house.

PEGGY BARBAR: Any other questions?

BRUCE PRATHER: Is the water well...is your gas

well above the elevation of his water well?

RITA BARRETT: Yes.

BRUCE PRATHER: Okay.

RITA BARRETT: I don't have the topography, Mr. Prather. I mean, the well is here and where she pointed out that the water well is, it's going to be at least 400 to 500 feet away.

BRUCE PRATHER: Is it up on a hill?

RITA BARRETT: The well?

BRUCE PRATHER: His water well?

RITA BARRETT: I'm not sure. I can't testify to that. I haven't seen the topography of the---.

PEGGY BARBAR: You said he lived on top of a mountain.

BRUCE PRATHER: I mean, if it...if the bottom of his water well was below the elevation of where your well is, you wouldn't---?

HERSHEL McCOY: Yes, it will be.

JIM KAISER: And, again, this is a permit issue.

RITA BARRETT: I don't have the ops.

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

PEGGY BARBAR: Do I hear a motion?

BRUCE PRATHER: I'll make a motion to approve.

PEGGY BARBAR: I have a motion to approve. Is there a second?

MARY QUILLEN: Second.

PEGGY BARBAR: Motion and seconded. All in favor, please signify by saying yes.

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

PEGGY BARBAR: All opposed?

(No audible response.)

PEGGY BARBAR: You have approval.

RITA BARRETT: Thank you.

DONNIE RATLIFF: I abstain, Madam Chairman.

PEGGY BARBAR: Donnie Ratliff abstains. Docket item number fifteen is a petition from Equitable Production Company for creation and pooling of a conventional gas unit. The docket number is VGOB-08-1118-2370. All persons interested in this case, please come forward.

JIM KAISER: Madam Chairman, at this time, we'd like to do a little switching around here. We also have a application for a location exception for this well. It's item number twenty-eight. Maybe we should...maybe we need to call that one first and then come back to the force pooling. If you don't mind.

PEGGY BARBAR: That will be perfectly fine, but

are you sure it's number twenty-eight?

JIM KAISER: Uh-huh.

PEGGY BARBAR: All right. So, do you want to move item number twenty-eight until after fifteen or combine them?

JIM KAISER: I want to move it to before item number---.

PEGGY BARBAR: I mean, before fifteen.

JIM KAISER: Yeah, I want to do it and then come back to force pooling.

PEGGY BARBAR: I'll go ahead and call that. It's docket number...I mean, item number twenty-eight. It's a petition from Equitable Production Company for a well location exception for proposed well V-536401. The docket number is VGOB-08-1118-2392. Anyone interested in this case, please come forward?

JIM KAISER: Again, Madam Chairman, Jim Kaiser and Rita Barrett for Equitable.

PEGGY BARBAR: Okay. Go ahead, Mr. Kaiser.

JIM KAISER: She has got an exhibit that we're going to pass out before we get started.

(Rita Barrett passes out an exhibit.)

PEGGY BARBAR: Are you ready Mr. Kaiser?

JIM KAISER: Yes.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, do your responsibilities include the land involved in this unit?

A. They do.

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

A. I am.

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

A. Yes, they have.

Q. Could you indicate for the Board the ownership of the oil and gas underlying the unit for well number V-536401?

A. Equitable owns a 100% leased. Actually, we're force pooling a portion of this at docket five...docket item five.

Q. And we're seeking an exception from one well, is that correct? It would be V-505369?

A. That's correct.

Q. And does Equitable have the right to operate that reciprocal well?

A. We do.

Q. Are there any correlative rights issues?

A. There are not.

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

A. Well, we have some topographical constraints. But we're in the process of working with the surface owner who also wants to put a trailer park in that area.

PEGGY BARBAR: Could I stop you right there and ask you when...for docket item number twenty-eight, is the well we're talking about 505369?

RITA BARRETT: No, it's not. Mr. Kaiser mispoke.

PEGGY BARBAR: Because he just said---.

RITA BARRETT: It's well V-536401.

PEGGY BARBAR: Yes. Okay, good.

JIM KAISER: I'm feverish.

PEGGY BARBAR: That's okay. We have Tylenol. Go ahead, Ms. Barrett and Mr. Kaiser.

Q. So, it's primarily due to topographic constraints and then we're trying...we are trying to accommodate a surface owner?

A. That's correct.

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

A. Yes. 350 million cubic feet.

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

A. 6,103 feet.

Q. And you're asking that this location exception cover conventional gas reserves to include designated formations from the surface to total depth drilled?

A. Yes.

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

A. Yes.

RITA BARRETT: Nothing further of this witness at this time, Madam Chairman.

PEGGY BARBAR: Questions from members of the Board?

BRUCE PRATHER: I've got a question. Rita, what is the scale on your map?

RITA BARRETT: I'm not sure, Bruce. I didn't

prepare this map.

BRUCE PRATHER: Okay.

BILL HARRIS: It does say “inch equals 400 feet”. Oh, I don't know about that one. I'm sorry. Sorry, sorry.

JIM KAISER: It's an inch to 400.

BRUCE PRATHER: Inch to...okay.

BILL HARRIS: This one?

JIM KAISER: You could do by knowing that's 1250 and it's going across that way.

SHARON PIGEON: Tell me again what resources...I was doing something else.

RITA BARRETT: The reserves?

JIM KAISER: 350.

RITA BARRETT: It's 350.

SHARON PIGEON: Thank you.

PEGGY BARBAR: Any questions?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

KATIE DYE: Motion to abstain.

PEGGY BARBAR: Okay.

BILL HARRIS: Second.

KATIE DYE: Motion to approve.

PEGGY BARBAR: We have a motion to approve.

BILL HARRIS: Second.

PEGGY BARBAR: And a second. All in favor, signify by saying yes.

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

PEGGY BARBAR: All opposed?

BRUCE PRATHER: Abstain.

PEGGY BARBAR: And Mr. Prather abstains. You have approval.

RITA BARRETT: Thank you.

PEGGY BARBAR: Now, we're going to go back to item number fifteen on your list, Board. It's the docket number, I'll repeat that, VGOB-08-1118-2370. Anyone interested in participating in this case, please come forward?

JIM KAISER: Madam Chairman, again, it will be Jim Kaiser and Rita Barrett.

PEGGY BARBAR: Okay.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, you're familiar with the application that we filed seeking to establish a unit and pool any unleased interest within this unit?

A. I am.

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

A. They do.

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

A. A 100%.

Q. A 100%?

A. Uh-huh. I thought we were talking about... I'm sorry, folks. It has been a long day.

SHARON PIGEON: She's feverish as well.

RITA BARRETT: I pulled the wrong file. I apologize.

PEGGY BARBAR: No problem.

RITA BARRETT: I have revised exhibits to pass out on this one.

(Rita Barrett passes out revised exhibits.)

RITA BARRETT: Okay. I've got the file now.

Q. Okay, dokey. We're going to go back to that question. What is the interest under lease to Equitable within the gas estate within this unit at this time?

A. It is 58.10%.

Q. And all unleased parties set out at Revised

Exhibit B-3, right?

A. They are.

Q. So, the percentage of the gas estate that remains unleased at this time is 41.90%?

A. That's correct.

Q. Okay. And we do have some...a couple...or at least two, I guess, unknowns in Tract 2 and Tract 17?

A. That's correct.

Q. Did you make reasonable and diligent efforts to try to locate those folks?

A. We did.

Q. In your opinion, has due diligence been exercised to locate each of the respondents named in this application?

A. Yes.

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

A. I am.

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

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

Q. In your opinion, do the terms 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: As to the parties that remain unleased as represented on Revised Exhibit B-3, I'd ask that we...the Board incorporate the testimony regarding their statutory election options that was taken earlier?

PEGGY BARBAR: Do you agree to that?

RITA BARRETT: Yes.

PEGGY BARBAR: They will be incorporated.

JIM KAISER: Thank you.

Q. The Board does need to establish an escrow account for any proceeds from Tracts 2 and 17?

A. Yes.

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

A. Equitable Production Company.

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

A. 6,103 feet.

Q. The estimated reserves for the unit?

A. 350 million cubic feet.

Q. Are you familiar with the well costs for

this well?

A. I am.

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

A. It has.

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

A. Yes.

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

A. Dry hole costs are $381,811 and completed well costs are $681,101.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

JIM KAISER: Nothing further of this witness at

this time, Mr. Chairman.

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

BILL HARRIS: Motion for approval.

PEGGY BARBAR: And a second?

MARY QUILLEN: Second.

PEGGY BARBAR: Your motion has been made and seconded.

RITA BARRETT: Thank you.

PEGGY BARBAR: Everybody that...everyone who wants to approve, signify by saying yes.

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

PEGGY BARBAR: Anyone opposed?

BRUCE PRATHER: Abstain.

PEGGY BARBAR: Mr. Prather abstains. You have approval. The next item, number sixteen, is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537973. The docket number is VGOB-08-1118-2371. Anyone interested in participating in this case, please come forward?

JIM KAISER: Again, Madam Chairman,---.

PEGGY BARBAR: Okay, Mr. Kaiser.

JIM KAISER: ---Jim Kaiser and Rita Barrett. I'm trying to find my file. 7973, is that the right number?

(No audible response.)

JIM KAISER: Ah-ah.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, are you familiar with the application that we filed seeking a...to pool any unleased interest in the unit for this well?

A. I am.

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

A. We do.

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

A. Yes.

Q. What percentage is under lease in the gas estate in this unit?

A. The gas estate is 100% leased.

Q. And what percentage of the coal estate is

under lease?

A. 96.63979%.

Q. So, that leaves 3.360210% of the coal estate that is unleased?

A. That's correct.

Q. Okay. It doesn't appear that we have any unknowns.

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 this unit and in the surrounding area?

A. I am.

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

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

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

A. Yes.

JIM KAISER: Again, Madam Chairman, we'd ask that

the statutory election option testimony be incorporated for purposes of this hearing.

PEGGY BARBAR: Do you agree, Ms. McGlothlin?

RITA BARRETT: Yes.

PEGGY BARBAR: That will be incorporated.

Q. Okay. What's our escrow situation here? We do have escrow for conflicting claims?

A. Yes, Tract 2.

Q. Okay. So, the Board needs to establish an escrow account for Tract 2. And who should be named operator under any force pooling order?

A. Equitable Production Company.

Q. The total depth of this proposed well?

A. 2,318 feet.

Q. Estimated reserves?

A. 200 million cubic feet.

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

A. It has.

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

A. It does.

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

A. Dry hole costs are $192,918 and completed well costs are $493,835.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

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

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: We have a motion to approve. Is there a second?

BRUCE PRATHER: I'll second it.

PEGGY BARBAR: Okay. All of those that agree, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: All those opposed, no.

(No audible response.)

PEGGY BARBAR: You have approval.

RITA BARRETT: Thank you.

PEGGY BARBAR: Item number seventeen is a petition from Equitable Production Company for creation and pooling of conventional gas unit V-536916. The docket number is VGOB-08-1118-2372. Anyone interested in participating in this case, please come forward?

JIM KAISER: Again, Jim Kaiser and Rita Barrett for Equitable Production.

PEGGY BARBAR: Go ahead, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, your responsibilities, obviously, include the land involved here and in the surrounding area?

A. Yes, sir.

Q. And you're familiar with the application

that we filed seeking to establish a unit and pool any unleased interest in that unit?

A. Yes, sir.

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

A. We do.

Q. Again, 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. They were.

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

A. 99.17% is leased.

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

A. They are.

Q. So, just 0.83% of the unit remains unleased?

A. That's correct.

Q. Okay. We do have an unknown and unlocateable?

A. Tract 9.

Q. J. M. Baker heirs. You did make an effort

to find them?

A. We did.

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

A. I am.

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

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

Q. In your opinion, do the terms you 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: Again, Madam Chairman, we'd like to incorporate the statutory election---.

PEGGY BARBAR: Do you agree to that?

RITA BARRETT: Yes.

PEGGY BARBAR: Okay. That will be incorporated.

Q. The Board does need to establish an escrow account for Tract 9?

A. That's correct.

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

A. Equitable Production Company.

Q. The total depth of this well?

A. The total depth is 4,869 feet.

Q. The estimated reserves?

A. The estimated reserves are 300 million cubic feet.

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

A. I am.

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

A. It does.

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

A. The dry hole costs are $274,692. The completed well costs are $528,87.

Q. Do these costs anticipate a multiple completion?

A. They do.

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 interest of

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

A. Yes.

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

PEGGY BARBAR: Questions from members of the Board?

BILL HARRIS: Madam Chairman, a question.

PEGGY BARBAR: Mr. Harris.

BILL HARRIS: Where is shows the plat, there is a proposed well. Is that VH-539923? What...can you tell us about that? Is that sharing a pad or is that...I mean, what's happening here?

RITA BARRETT: That is a proposed horizontal well that we plan to attempt to get a unit established in January.

BILL HARRIS: And that would be on the same pad roughly?

RITA BARRETT: Yes, sir.

BILL HARRIS: So, that's why---?

RITA BARRETT: Yes, sir.

PEGGY BARBAR: Other questions?

BILL HARRIS: Thank you.

PEGGY BARBAR: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

PEGGY BARBAR: Motion and a second. All of those agreeing, signify by saying yes.

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

PEGGY BARBAR: All opposed?

BRUCE PRATHER: Abstain.

PEGGY BARBAR: Mr. Prather abstains. You have approval.

JIM KAISER: Madam Chairman, it looks like we're going to need to...the next eight items, numbers eighteen through twenty-five are all poolings for increased density wells in Yellow Popular units, okay. So, what we probably... the correct thing to do probably would be to get you...if it's your decision to approve the...approve the exercise of drilling the increased density well before we go to the exercise of pooling all of those. So, that would be...so, I guess, my point being if we could go to---?

PEGGY BARBAR: Item twenty-nine up?

RITA BARRETT: It's item twenty-nine.

JIM KAISER: Twenty-nine.

PEGGY BARBAR: Okay. We're going to move item twenty-nine up.

JIM KAISER: Then, I'll some how try to combine those, but there's going to be different percentages.

PEGGY BARBAR: Okay. I'm going to call item number twenty-nine, which is a petition from Equitable Resource Company, LLC for a modification of the Nora Coalbed Gas Field Rules to allow drilling for additional well units, docket number VGOB-89-0126-0009-37. All those interested in participating in this case, please come forward.

JIM KAISER: Jim Kaiser, Rita Barrett and Jim Pale for Equitable Production Company.

PEGGY BARBAR: Okay. I see a few more new faces. Go ahead and introduced yourself, please.

RAYMOND TAYLOR VACTOR: I'm a geologist with Equitable Production.

JIM PALE: Jim Pale. I'm a reservoir engineer for Equitable Production.

PEGGY BARBAR: Okay. Thank you very much. Michelle, swear---.

JIM KAISER: Would you swear them?

(Jim Pale and Raymond Taylor Vactor are duly sworn.)

PEGGY BARBAR: Go ahead, Mr. Kaiser.

JIM KAISER: Thank you.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, is everybody that's required by both statute and Board regulation to be noticed in this...in this matter have been noticed?

A. They have.

Q. And what we're seeking here is the opportunity to drill a second well in numerous units? Let me find my file. Basically, that looks to me like twenty units, correct, and eight of those units we're getting ready to pool the unknown Yellow Popular interest in the gas estate, correct?

A. That's correct.

Q. So, in the other twelve units, I assume we have everybody under lease or are we pooling them later? I don't know.

A. We will put them on future dockets for pooling.

Q. Okay.

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

PEGGY BARBAR: Questions from members of the Board of this witness?

(No audible response.)

PEGGY BARBAR: Go ahead, Mr. Kaiser.

JAMES PALE

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. I'm James Pale. I work for Equitable Production Company and I am a reservoir engineer.

Q. And could you kind of...in conjunction with the handout that Taylor passed out to everybody, could you kind of go through the reasoning and the process that we're attempting to accomplish with these increased density wells?

A. On page AA, you can see the grey units are the existing or reduce or increased density wells that have already been approved. The green units are the ones that we're asking for today. The next page, BB, shows that through out current infill or increased density wells, we are producing an incremental 4.3 million standard cubic feet

of gas a day. Page CC, you can see the blue curve is the original production by itself. The red curve is the...what is additionally being produced with our current infill production throughout our field. DD-1 shows the first group of our increased density wells that we are proposing. DD-2 shows the second group. DD-3 is a map showing the third group.

Q. Would it be your testimony, Mr. Pale, that to-date we have seen enough incremental production out of these increased density wells, second wells, it is well worth the additional capital expenditure?

A. Yes, it is. Yes, I do.

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

PEGGY BARBAR: Questions of this witness from members of the Board?

BILL HARRIS: Yeah, Madam Chairman. Let me ask you a question about your increased density play.

JAMES PALE: Okay. Yeah.

BILL HARRIS: The red markers indicate increased density wells but they begin at the same time as your original wells.

JAMES PALE: The red line is the increased density and the original wells. And the difference in those is just

the incremental gain from the infills.

BILL HARRIS: I guess, I am asking about when it was drilled.

JAMES PALE: No, the red curve is the original wells and it matches along until the beginning 2007 when we first drilled our first well and that's when the red curve starts to deviate.

BILL HARRIS: So, that's when it splits above?

JAMES PALE: Yes.

BILL HARRIS: Okay. So...okay. It's a little misleading because the red didn't exist back, I mean, in January of '06.

JAMES PALE: It might be slightly mislabeled at the bottom. It probably should be increased density and original wells.

BILL HARRIS: Okay. I guess my question is, the red...the red is the increased density wells and there are dots at the same location back in September of '06 and July of '06.

JAMES PALE: Okay. Yes.

BILL HARRIS: And I guess my question is that to me indicated that the well was drilled...both were drilled at the same time I mean according...I know that's not the case. But I'm saying that your diagram indicates that.

JAMES PALE: Okay. We can---.

BILL HARRIS: I would think the red wouldn't begin until maybe November of '06 or something. I'm not telling you how to do your exhibit.

JAMES PALE: Okay.

BILL HARRIS: But I'm just saying that---.

JAMES PALE: I can make that correction for the future exhibits.

BILL HARRIS: --the red kind of implies---.

SHARON PIGEON: Is that your testimony that that's when the infill well was drilled?

BRUCE PRATHER: I think they put the blue dots over the red dots.

JAMES PALE: Yes, that's when the first infill wells were drilled in the Nora Field.

BILL HARRIS: I'm sorry, I missed that.

SHARON PIGEON: Nov---.

BILL HARRIS: I missed that.

SHARON PIGEON: I'm asking him if that is his testimony as to when the first infill wells were drilled and that would be November of '06.

JAMES PALE: It appears, yes.

BILL HARRIS: So---.

SHARON PIGEON: Okay.

BILL HARRIS: So, before then there should be just blue dots, is that what you're saying?

JAMES PALE: Right.

BILL HARRIS: Okay, okay. I just wanted to clarify that. I know you want to show the increase and I believe, you know, that does exist.

BRUCE PRATHER: I think what your diagram here shows is you had red dots and somebody put the blue ones over top of the red ones. That's what mine looks like. Do you see it?

RITA BARRETT: That's probably what happened.

BRUCE PRATHER: Do you see it?

JIM KAISER: Uh-huh.

SHARON PIGEON: That's probably true, but that is misleading.

PEGGY BARBAR: Other questions?

MARY QUILLEN: Madam Chairman, just give us a little bit of your background, where you went to school and so forth.

JAMES PALE: I went to school Penn State or the University of Pennsylvania. I have a degree in Petroleum and Natural Gas Engineering and I've been working with Equitable since I graduated for two and a half years.

MARY QUILLEN: And you graduated when?

JAMES PALE: May of 2006.

MARY QUILLEN: Okay. He hasn't testified, but gives us a little background.

RAYMOND TAYLOR VACTOR: I went to the University of Pittsburgh. I've been with Equitable for eight months now, I think, and I did an internship previously for three months the last summer. Anything else that you wanted to know

or---?

MARY QUILLEN: That's the extent of your experience, right?

RAYMOND TAYLOR VACTOR: Yes.

MARY QUILLEN: Okay. Thank you.

SHARON PIGEON: What was your last name, again?

RAYMOND TAYLOR VACTOR: Vactor with a V.

SHARON PIGEON: V-A---.

RAYMOND TAYLOR VACTOR: V-A-C-T-O-R, yeah.

JAMES PALE: Just to clarify, I went to Pennsylvania State University and not the University of Pennsylvania.

(Laughs.)

PEGGY BARBAR: Any more questions of this witness?

MARY QUILLEN: I think you could say Penn State. Everybody understands.

PEGGY BARBAR: How about for Taylor, Mr. Kaiser. Do you have questions for Taylor?

JIM KAISER: No.

PEGGY BARBAR: Okay.

JIM KAISER: No, not on this one.

PEGGY BARBAR: All right.

JIM KAISER: He's going to testify, I think, on one of the later hearings.

PEGGY BARBAR: Okay. Anything else on this one from members of the Board?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Motion---.

BILL HARRIS: Second.

PEGGY BARBAR: ---and seconded by Bill Harris. All of those in favor, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Anyone opposed?

(No audible response.)

PEGGY BARBAR: Okay. No abstentions. You have approval.

BRUCE PRATHER: As long as they're over in Nora I'm all right. That's when they get---.

PEGGY BARBAR: All right. Now, we're back to Lord, help me.

SHARON PIGEON: Seventeen maybe.

PEGGY BARBAR: Twenty-nine and now we'll go to eighteen, right?

JIM KAISER: I wanted to combine all eight of those, but I think because of the different percentages it would have been a nightmare. So, we'll just try to kind of weed through them.

SHARON PIGEON: We're having enough trouble now keeping track.

JIM KAISER: All right. We'll just kind of try to rip through them.

PEGGY BARBAR: Well, you've got one...you've got an half an hour to get through eight of them.

JIM KAISER: Oh, I can do it in less than that, I hope.

PEGGY BARBAR: Okay. So, on these, you want me to call them by individual docket numbers?

JIM KAISER: Right.

RITA BARRETT: Yeah.

PEGGY BARBAR: Okay. So, we're item eighteen, Board. A petition from Equitable Production Company for pooling of coalbed methane. The docket number is VGOB-08-

1118-2373. Anyone wishing to testify in this case, please come forward.

JIM KAISER: Jim Kaiser and Rita Barrett on behalf of Equitable Production.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. I am.

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

A. We do.

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

A. Yes.

Q. And what is the interest of Equitable under lease in this unit?

A. 0%.

Q. We've got 0% in the gas estate. That represents the Yellow Popular?

A. Yes.

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

A. A 100%.

Q. Okay. And the unleased party, that being Gally Friend/Yellow Popular as set out in Exhibit B-3?

A. Yes.

Q. Okay. And they are, of course, an unknown interest?

A. Yes.

Q. Who we've been through many times the history of...the search for them and even heard some jokes about it earlier today?

A. Everybody wants to find out their related.

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

A. I am.

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

A. Yes. They're five dollar bonus, five year term and 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. Yes.

JIM KAISER: Madam Chairman, we'd like to incorporate the election testimony.

PEGGY BARBAR: Do you agree?

RITA BARRETT: Yes, ma'am.

PEGGY BARBAR: That will be incorporated.

Q. The Board does need to establish an escrow account?

A. They do.

Q. And that would be for Tract--?

A. 1.

Q. ---1? Who should be named operator?

A. Equitable Production Company.

Q. The total depth?

A. 2,281 feet.

Q. The estimated reserves?

A. 200 million cubic feet.

Q. Are you familiar with the AFE?

A. I am.

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

A. It does.

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

A. The dry hole costs are $128,593 and completed well costs are $375,269.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

PEGGY BARBAR: Okay. Motion has been approved...

moved and seconded. All of those, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: All of those opposed?

(No audible response.)

PEGGY BARBAR: No abstentions. You have approval. A petition from Equitable Production Company for pooling of coalbed methane unit VCI-539485. The docket number VGOB-08-1118-2374. Anyone interested in participating in this case, please come forward.

JIM KAISER: Again, Madam Chairman, Jim Kaiser and Rita Barrett. In this particular case, we'd like to incorporate all of the testimony just taken and then I've got just a couple of questions that are a little bit different.

PEGGY BARBAR: Do you agree?

RITA BARRETT: Yes, ma'am, I do.

PEGGY BARBAR: They will be incorporated.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. 2,534 feet.

Q. Estimated reserves for the unit?

A. 200 million cubic feet.

Q. And the wells costs?

A. The well costs...the dry hole costs are $137,459 and the completed well costs are $387,069.

MARY QUILLEN: Madam Chairman---.

PEGGY BARBAR: Yes, ma'am.

MARY QUILLEN: Could I ask her to clarify the dry hole costs?

RITA BARRETT: Yes, ma'am. Dry hole costs are $137,459.

MARY QUILLEN: On the application, we have a $139,451.

RITA BARRETT: That's correct. That's a typo. Let me look at the AFE real quick.

JIM KAISER: The AFE is $139,000.

MARY QUILLEN: Uh-huh.

RITA BARRETT: It is $139,459.

JIM KAISER: Thank you.

PEGGY BARBAR: So, that is correct what we have?

RITA BARRETT: Yes, ma'am.

JIM KAISER: That is correct. Nothing further of this witness at this time, Madam Chairman.

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Do we have a motion?

SHARON PIGEON: Did we get the percentages of---?

MARY QUILLEN: We didn't.

JIM KAISER: It's the same as last time, a 100% of the coal is leased and 0% of the---.

SHARON PIGEON: Okay. I thought that was part of what you needed to change. Okay.

RITA BARRETT: A 100% unleased, the gas.

BRUCE PRATHER: I'll make a motion to approve.

BILL HARRIS: Second.

PEGGY BARBAR: A motion has been made and seconded by Mr. Harris. All of those agreeing, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Any opposed?

(No audible response.)

PEGGY BARBAR: You have approval. We're now on item number twenty on your docket list, Board. It's a petition from Equitable Production Company for pooling of coalbed methane. The docket is VGOB-08-1118-2375. Anyone interested in participating in this case, please come forward.

JIM KAISER: Again, Madam Chairman, Jim Kaiser and

Rita Barrett. I'd like to incorporate, again, all of the testimony previously taken with the exception of the depth of the well and the AFE costs.

PEGGY BARBAR: Do you agree Ms.---?

RITA BARRETT: I do.

PEGGY BARBAR: That will be incorporated.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. If I could ask Ms. Barrett what the depth for this well is.

A. 2,350 feet.

Q. And the dry hole costs and completed well costs?

A. The dry hole costs are $149,161 and completed well costs are $395,360.

Q. Again, the estimated reserves for the unit are 200 million cubic feet?

A. Correct.

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

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BILL HARRIS: Second.

PEGGY BARBAR: A motion has been made and seconded. All of those agreeing, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Anyone opposed?

(No audible response.)

PEGGY BARBAR: You have approval.

RITA BARRETT: Thank you.

PEGGY BARBAR: Next is a petition from Equitable Production Company for pooling of coalbed methane. The docket number VGOB-08-1118-2376. Anyone wishing to participate in this case, please come forward?

JIM KAISER: Again, Jim Kaiser and Rita Barrett, Madam Chairman. Again, I'd ask that all of the testimony previously taken in the prior Yellow Popular units be incorporated for purposes of the hearing with the exception of the well depth and the dry hole and completed well costs.

PEGGY BARBAR: Do you agree?

RITA BARRETT: I do.

PEGGY BARBAR: That will be incorporated.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. What's the proposed depth of this one?

A. The proposed depth is 2,451 feet.

Q. The dry hole costs?

A. The dry hole costs are $145,283.

Q. The completed well costs?

A. $386,384.

JIM KAISER: Nothing further for this witness, Madam Chairman.

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

PEGGY BARBAR: A motion has been made and seconded. All of those agreeing, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: All of those opposed, no.

(No audible response.)

PEGGY BARBAR: You have approval.

RITA BARRETT: Thank you.

PEGGY BARBAR: A petition from Equitable Resource Company for pooling of coalbed methane. The docket number is VGOB-08-1118-2377. I beginning to appreciate Benny Wampler more everyday.

JIM KAISER: 2377. Jim Kaiser and Rita Barrett again. Actually, this one is a little bit different.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, what is the percentage under lease to Equitable within the gas estate in this unit?

A. .50%.

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

A. A 100%.

Q. So, 99.5% of the gas estate is represented by the Yellow Popular?

A. That's correct.

Q. Okay. The total depth of this proposed well?

A. 2,317 feet.

Q. The estimate reserves are again 200 million

cubic feet?

A. That's correct.

Q. And the...both the dry hole costs and completed well costs for this well?

A. The dry hole costs are $130,585 and the completed well costs are $371,464.

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

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

PEGGY BARBAR: A motion has been made and seconded. All of those agreeing, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Anyone opposed?

(No audible response.)

PEGGY BARBAR: You have approval.

RITA BARRETT: Thank you. Next is a petition from Equitable Production Company for pooling of coalbed methane. The docket number is 08-1118-2378. Anyone interested in participating in this case, please come forward.

JIM KAISER: Again, Jim Kaiser and Rita Barrett. This is back to the 100% and 0% situation. So, I'm just going to ask her the depth of the well and the AFE costs.

RITA BARRETT: The depth of the well is 2,361 feet. The dry hole costs are $127,503 and the completed well costs are $371,388.

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

PEGGY BARBAR: Didn't we have to incorporate anything on this one, Sharon?

SHARON PIGEON: He's trying to incorporate without bringing you into---.

JIM KAISER: Oh, I'm sorry. I would like to incorporate all of the testimony previously taken in 2373.

PEGGY BARBAR: Do you agree?

RITA BARRETT: I do.

PEGGY BARBAR: That will be incorporated. Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

PEGGY BARBAR: Motion has been made and seconded. All of those agreeing, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Anyone opposed?

(No audible response.)

PEGGY BARBAR: You have approval.

RITA BARRETT: Thank you.

PEGGY BARBAR: Next is a petition from Equitable Production Company for pooling of coalbed methane unit VCI-539491. The docket number is VGOB-08-1118-2379. Anyone interested in participating in this case, please come forward.

JIM KAISER: Jim Kaiser and Rita Barrett again. This one is a little bit different. There is a little bit of unleased coal in the unit.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. BARRETT:

Q. What is the percentage under lease to Equitable in the coal estate in this unit?

A. The coal estate is 93.64% leased.

Q. And, again, the gas estate is all---.

A. A 100% unleased.

Q. ---Yellow Popular, so it's a 100% unleased.

JIM KAISER: The other testimony, we would like to

incorporate for purposes of this hearing, Madam Chairman.

PEGGY BARBAR: Do you agree with that, Ms. McGlothlin?

RITA BARRETT: I do. I just will say that 6.360% of the coal estate is also unleased.

PEGGY BARBAR: That will be incorporated.

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

A. 2,385 feet.

Q. And the dry hole costs and completed well costs?

A. Dry hole costs are $135,631 and completed well costs are $370,493.

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

PEGGY BARBAR: Okay. Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

PEGGY BARBAR: The motion has been approved and seconded. All of those agreeing, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Anyone opposed?

(No audible response.)

PEGGY BARBAR: You have approval.

RITA BARRETT: Thank you.

PEGGY BARBAR: Next we have a petition from Equitable Production Company for pooling of coalbed methane. The docket number is VGOB-08-1118-2380. Anyone wishing to participate in this case, please come forward.

JIM KAISER: Madam Chairman, again, Jim Kaiser and Rita Barrett. We'd like to incorporate all of the testimony for the previous Yellow Popular hearing. But in this particular case, we do have part of the gas estate under lease.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. What interest in the gas estate is under lease in this unit?

PEGGY BARBAR: Do you agree with the incorporating testimony?

RITA BARRETT: I do. I do.

PEGGY BARBAR: Good. Go ahead.

A. We have 24.37% of the gas estate is leased.

Q. And a 100% of the coal estate?

A. That's correct.

Q. So, 75.630% of the gas estate, which is represented by the Yellow Popular Company is unleased?

A. That's correct.

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

A. The total depth is 2,322 feet.

Q. And the dry hole costs and completed well costs?

A. The dry hole costs are $136,445 and completed well costs are $382,133.

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

PEGGY BARBAR: Questions from members of the Board?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

DAVID ASBURY: Madam Chairman, a question.

PEGGY BARBAR: Yes, sir.

DAVID ASBURY: A lot of these the well location is outside of the offset window. You'll come back at some other time to get---?

RITA BARRETT: These have been submitted for permit, Mr. Asbury. You should have the location exception letter---.

DAVID ASBURY: With it?

RITA BARRETT: ---with that permit package.

DAVID ASBURY: Okay, thank you.

PEGGY BARBAR: I think you said that earlier, didn't you?

RITA BARRETT: I think so.

DAVID ASBURY: Thank you.

PEGGY BARBAR: Any other questions?

(No audible response.)

PEGGY BARBAR: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

PEGGY BARBAR: A motion has been made and seconded. All of those agreeing, please signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: All opposed, no.

(No audible response.)

PEGGY BARBAR: You have approval.

RITA BARRETT: Thank you.

PEGGY BARBAR: The next item on the docket is a

petition from Equitable Production Company for establishment of a provisional 235.21 acre drilling unit. The docket number is VGOB-08-1118-2381. All of those interested in participating in this case, please come forward.

JIM KAISER: Jim Kaiser, Rita Barrett, Taylor Vactor and Luke Shankin. Madam Chairman, if we could diverge here for just a moment. We have a little testimony and explanation that Mr. Asbury wishes to present to the Board on the very horizontal. It was actually a conventional horizontal that we drilled here in the Commonwealth where out lateral actually meandered outside the interior window by about 40 feet and he asked us to...in the interest of full disclosure and explanation, asked us to bring this up to the Board. Since we're getting ready to establish some...even though they're coalbed methane horizontal units, since we're getting into the horizontal thing, we figured maybe this would be a good time for Mr. Shankin to address this issue, if that's all right with you.

PEGGY BARBAR: That will be fine. Do you want to swear him in?

(Luke Shankin is duly sworn.)

LUKE SHANKIN: Luke Shankin. I'm a geologist with Equitable Resources. This was...as Jim said there, this was the first horizontal we drilled in Virginia, 6927...536927.

You can see the dotted line there is the 300 foot interior window with the saw bind coming from the top the wellbore down to the southeast corner there being the wellbore. You can see that we poked out by about 40 feet down there. The explanation for this is we had this lateral planned to the edge of that...the hard line, the 300 foot right there at an asmyth of 151. Asmyth just being the direction, I think, 360 degrees on a compass. We were playing for an asmyth of 151. What actually happened is we were paying really close attention to the length. Is was estimated...we planned it to be 3400. It was 3408. But the asmyth was actually off by 1 degree there at the end. So, it actually ended up putting us out just 40 feet to the edge. You can see if you swung that wellbore around to the planned asmyth would be just in the corner there. We just wanted to bring this up to you guys. It hasn't happened since then. Remedial actions we've taken is we've now not planned those laterals so close to the interior window. We have a 50 to 75 foot buffer we put in. Once these laterals get closer to the end, we are in constant contact with our company men to make sure that this doesn't get close and happens again. I guess, we just wanted to bring that up to you guys and let you know what happened and what we've done to ensure that it doesn't happen again.

JIM KAISER: Maybe to sort of ease any discomfort, you have with this...I'll ask Ms. Barrett this question.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Would it be your testimony that the royalty owner to the east would be Penn Virginia operating, so there wouldn't be a correlative rights issue?

A. There's no correlative rights issues. It's Penn Virginia Tract 756.

PEGGY BARBAR: Any questions of this witness?

(No audible response.)

JIM KAISER: Are we going to try to combine these?

RAYMOND TAYLOR VACTOR: Yeah, you can.

RITA BARRETT: Yes.

JIM KAISER: Madam Chairman, if in the interest of time, and I know we're running short, I think we can probably call twenty-six and twenty-seven together.

DAVID ASBURY: Mr. Kaiser, thanks for bringing this to the Board.

JIM KAISER: Okay. Thank you for your help.

PEGGY BARBAR: Item number twenty-six, we've already called. So, let's go ahead---.

JIM KAISER: Oh, we have.

PEGGY BARBAR: Didn't we?

SHARON PIGEON: Yes.

PEGGY BARBAR: So, let's go ahead...and you're recommending to call twenty-seven with it?

JIM KAISER: Twenty-six and twenty-seven together, right.

RITA BARRETT: So, I'm going to call item number twenty-seven, which is a petition from Equitable Production Company for establishment of provisional 235.22 acre drilling unit. The docket number is VGOB-08-1118-2382.

JIM KAISER: Again, it will be Jim Kaiser, Rita Barrett and Taylor Vactor on these two.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Barrett, would it be your testimony that all coal, oil and gas owner within these 235 acre units that we're seeking to establish have been notified as required by statute and regulation?

A. Yes.

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

PEGGY BARBAR: Questions from member of the Board?

(No audible response.)

PEGGY BARBAR: Okay. Call your next witness.

RAYMOND TAYLOR VACTOR

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Vactor, if you would at this point, go through your handout that you provided to the Board and kind of walk them through what our plan is for these two horizontal CBM units?

A. Okay. Taking a look at page AA in your packet in front of you. The proposed units that we are looking at are approximately 235 acre square units. The dimensions will be 3200 X 3200 with a 4,525 foot diagonal. The dimensions with the interior window would be 2600 X 2600 with a 3,677 foot diagonal. That would be the 300 foot interior window that we are using. We will also have a 600 foot standoff from adjacent unit horizontal well bores. We should be able to drill from the surface location outside of a unit as long as production is coming from within the unit. Units should allow for multiple wells in or laterals for maximum drainage. In some cases, two or more wells may be able to use the same pad due to terrain restrictions. On

page BB in front of you, we have a picture or a diagram of the unit with the dimensions laid out that I had previously testified upon. On page CC, we have the benefits of horizontal drilling. Basically, we're getting fewer issues with coal mining and less surface disturbance. We're more effectively extracting the resource and laterals can reach into areas otherwise inaccessible by vertical wellbores. We have a higher depletion rate, shorter lives to wells and this will encourage the development of the resource. On DD, we have a blown up map of where those units will be present. As you...they're in green on the map. As you can see, they're present in Dickenson County in Duty quad. On page EE, you have a zoomed in map of the two units that we're proposing in green and in blue are the existing wellbores producing wells in the area.

MARY QUILLEN: Madam Chairman, I have a question. Those producing wells, who is operating those?

RAYMOND TAYLOR VACTOR: I believe we are, yes.

RITA BARRETT: It's Equitable.

PEGGY BARBAR: Other questions from members of the Board?

DAVID ASBURY: The unit name, how are we going to describe these units? The unit name?

RAYMOND TAYLOR VACTOR: I believe, based upon the

grids that they encompass. That's how it's on the docket, isn't it?

DAVID ASBURY: Twenty-six, for example, how are we going to identify that unit being created? What's the unit name?

RITA BARRETT: Mr. Asbury, we don't have unit names, but we do have well numbers that we will testify that can be assigned to each on of those units. Item twenty-six, the two wells are VCH-531110 and 531111. Docket twenty-seven is VCH-531101 and 531102.

DAVID ASBURY: Thank you.

DAVID ASBURY: You're welcome.

SHARON PIGEON: Both were VCH prefix, right?

RITA BARRETT: Yes.

PEGGY BARBAR: Other questions?

BRUCE PRATHER: I have a question, Madam.

PEGGY BARBAR: Yes, sir, Mr. Prather.

BRUCE PRATHER: Is your horizontal lateral going out in the Pocahontas Nine.

RAYMOND TAYLOR VACTOR: We haven't determined that yet. There is several seams that we would consider.

BRUCE PRATHER: Okay.

PEGGY BARBAR: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

PEGGY BARBAR: A motion has been approved and seconded. All of those agreeing, please signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Anyone opposed?

(No audible response.)

PEGGY BARBAR: You have approval. Item number thirty, a petition from Equitable Production Company, LLC for a modification of the Nora Coalbed Gas Field Rules. This is docket number VGOB-89-0126-0009-38. Anyone interested in participating in this case, please come forward?

JIM KAISER: Jim Kaiser, Rita Barrett and Jim Pale on behalf of Equitable Production Company. This first one, it looks like there's twenty-five units that we're seeking increased density in.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, have all parties been notified as required by the statute and regulations?

A. They have.

Q. It looks to me from my tracking sheet on the notices that these are all either going to be on Range-Pine Mountain properties or Standard Banner properties?

A. That's correct. They're all on Range Resources-Pine Mountain with the exception of unit B in 48 and it (inaudible) some Standard Banner acreage.

Q. Okay. So, there want be any force pooling on these units?

A. There should not be.

Q. It should be a 100% leased?

A. That's correct.

JIM KAISER: Very good.

JAMES PALE

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Pale, if you would, again, go through your handout and explain the theory and process behind this request?

A. As I said before, so far in the three years that we've been drilling infill wells, we are currently happy with the incremental production that we're seeing. As of to date, we are producing an incremental rate of 4.3 million a day. In this, we are happy with the results and

we feel comfortable with incurring that extra costs for drilling those wells.

PEGGY BARBAR: Any questions of this witness from members of the Board?

(No audible response.)

PEGGY BARBAR: You were using the exhibit, weren't you, that you did earlier?

JAMES PALE: Yes.

PEGGY BARBAR: Okay. Mr. Kaiser, do you have another witness?

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

PEGGY BARBAR: Do I have a motion---?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Okay. A motion has been made. Is there a second?

BILL HARRIS: Second.

PEGGY BARBAR: Seconded by Mr. Harris. All of those in favor, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Those who do not agree, say no.

(No audible response.)

PEGGY BARBAR: You have approval.

RITA BARRETT: Thank you.

PEGGY BARBAR: Okay. Docket item number thirty-one is a petition from Equitable Production Company, LLC for modification of the Nora Coalbed Gas Field Rules. It's docket number VGOB-89-0126-0009-39. Anyone wishing to participate in this case, please come forward.

JIM KAISER: Again, Jim Kaiser, Rita Barrett and Jim Pale for Equitable Production Company.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. In these particular units, Ms. Barrett, would it be your testimony that we have notified everybody that's required by statute and we've actually got a revised set of exhibits. We've added some people.

A. Yes.

Q. And in this particular case, we actually had some unknowns within these units and we did publish, right?

A. That's correct.

Q. Okay.

A. There is---.

Q. If you go ahead and kind of explain the land situation here.

A. We have a 100% leasehold on all of these units except BK-79...BK-78, I'm sorry, BK-78, BK-79 and BL-79 and BP-77. The remainder of this is Range Resources-Pine Mountain, Inc. or other parties that we do have under lease. One thing, on the docket, if I may point out, there's a typo. If you will read for modification of Nora Field Rules... Coalbed Gas Field Rules to allow for drilling of an additional well in units BJ-79, BK-78 to BK9...that should read BK-78 to BK-79.

JAMES PALE

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay. Mr. Pale, if you would again for the Board, go through your handout and explanation on our request for increased density wells in these units?

A. As I previously testified, for the past three years we've been drilling infills. We are happy with the results. Currently, producing an incremental rate of 4.3 million a day. We feel that this is a reasonable...that drilling infills...continuing drilling infills is acceptable.

PEGGY BARBAR: Any questions of this witness from members of the Board?

(No audible response.)

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

PEGGY BARBAR: Do I hear a motion?

MARY QUILLEN: A motion to approve.

BILL HARRIS: Second.

PEGGY BARBAR: A motion has been made and now seconded. All of those agreeing, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Anyone opposed?

(No audible response.)

PEGGY BARBAR: You have approval.

RITA BARRETT: Thank you.

PEGGY BARBAR: Thank you, guys. Thanks for your patience today.

JIM KAISER: Let's try to get thirty-two and thirty-three, if you can.

RITA BARRETT: Yeah, we were trying to accommodate Range so that they could get some of their wells after---.

JIM KAISER: We can combine those and it will be...it will be...we'll have Mr. Grantham. I mean, he's pretty good at saying what he needs doing.

SHARON PIGEON: That's got to be it.

MARY QUILLEN: Where did he go? He disappeared.

RITA BARRETT: I'll go find Jerry.

(Off record discussion.)

JIM KAISER: We can combine these two.

PEGGY BARBAR: I'm going to call item numbers thirty-two and thirty-three. Do you want me to call these separately?

SHARON PIGEON: Do you want those combined or separate?

PEGGY BARBAR: Separately?

JIM KAISER: Is it okay to combine them?

PHIL HORN: Yeah.

JIM KAISER: Let's combine them.

PEGGY BARBAR: Combine them. This is item number thirty-two on the Board's docket. It's a petition from Range Resources-Pine Mountain for the establishment of a provisional 320 acre drilling unit. The docket number is VGOB-08-1118-2383. And then item number thirty-three, we'll call it as well, it's a petition from Range Resources-Pine Mountain for the establishment of a provisional 320 acre drilling unit. The docket number is VGOB-08-1118-2384. All persons wishing to participate in this case, please come forward.

JIM KAISER: Jim Kaiser, Phil Horn and Gus Jensen for Range Resources-Pine Mountain.

PEGGY BARBAR: Okay, guys.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Phil, if you'd state your name for the record, who you're employed by and in what capacity?

A. My name is Phil Horn. I'm the land manager for Range Resources- Pine Mountain, Inc.

Q. And we have notified all parties in both of these units are required by statute and regulation?

A. That's correct.

Q. And you do have one little land issue that you wanted to bring up to the Board?

A. Yes. In the second horizontal unit, the second one on the docket, if you'll look at the plat, there's a...there's an overlap between some ownership owned by us and by ACIN. They call it an interlock area. It's just where both parties have deeds for mineral rights there and it never has been resolved. So, what we would do is just go ahead and escrow that royalty until we just determine who the owner... the correct owner is. But all of the rest of the oil and gas is owned...in both units a 100% by Range Resources-Pine Mountain, Inc. and this part by

ACIN, LLC.

JIM KAISER: Thank you, Mr. Horn.

PEGGY BARBAR: Any questions for Mr. Horn?

(No audible response.)

PEGGY BARBAR: You can call your next witness.

GUS JENSEN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Jensen, in conjunction with your handout, would you explain for the Board the theory and process behind our request to establish these two units?

A. Yes. Again, the Board has seen several times from Range Resources the establishment of the 320 acre unit for horizontal drilling. On Exhibit AA, you will see the two units you have today identified by unit names, Range 2383 and Range 2384. It's also corresponding to your docket items. Adjacent to those proposed units, you'll see additional units that have already been approved by the Board to date. These units do match up on the same grid pattern as existing well units that we have proposed in the past. In Exhibit BB, quickly again, a schematic showing the dimensions and layout of the 320 acre proposed units with a 300 foot setback and the dimensions of each unit. Exhibit

CC is just a summary of those dimensions, the 3733 X 3733 feet with the maximum lateral of 4431. Again, we've got the 300 foot interior window offset. We have a 600 foot standoff immediately adjacent horizontal wellbores or vertical wells. This unit will allow for multiple wells and/or laterals for the maximum drainage of all conventional reservoirs. We'll also be able to drill our surface location inside or outside the unit so long as the production is within the unit. Exhibit DD, again, is a schematic just showing our typical horizontal well plan. Again, we're providing casing streams again or protecting the water zones and any coal zones as any vertical well would also do. As you can see, this well is a horizontal schematic. It's just a typical design for a horizontal in the Lower Huron Shale. Exhibit EE, it's just a summary of the benefits of the horizontal drilling. It's going to benefit the working interest owners or royalty owners in the county by maximizing production and to promote conservation of the gas resource and prevent waste by more effectively extracting the resource. The laterals can drill underneath areas otherwise inaccessible from the surface. We have less impact on the coals and less potential impact on the surface disturbance. The square units also allow for no stranded acreage to produce these units.

PEGGY BARBAR: Any questions of this witness?

BILL HARRIS: Let me just ask a quick question. On your first page exhibit, AA, the approved units, are they producing already?

GUS JENSEN: In these cases, no, we have not drilled all of those units to date. We've drilled several other units around the field today and continue with our development with doing this and we are trying to keeping ahead of the process by going ahead and getting units in advance so that we can do our permitting and engineering and geological evaluations as we go forward.

BILL HARRIS: The production that you have from the ones that you've drilled are encouraging enough for you to---?

GUS JENSEN: Yes, we're very pleased with the production that we've seen at this point and continue...and we'll development throughout the next year.

BILL HARRIS: Thank you.

PEGGY BARBAR: Any other questions?

BRUCE PRATHER: These are horizontal wells?

GUS JENSEN: That's correct.

BRUCE PRATHER: Okay.

PEGGY BARBAR: Do I have a motion?

MARY QUILLEN: Motion to approve item thirty-two

and thirty-three.

PEGGY BARBAR: Thank you, Mr. Quillen.

BILL HARRIS: I second.

PEGGY BARBAR: We have a motion to approve and a second. All those agreeing, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Anyone that disagrees say no.

(No audible response.)

PEGGY BARBAR: You have approval.

JIM KAISER: Thank you.

PHIL HORN: Thank you.

JIM KAISER: So, I guess item forty, I guess, that will...obviously, continued over until December?

DAVID ASBURY: Madam Chairman, we are on a time line for item forty as far as Board Regulatory Review. Tabitha Pease is with us. She may explain that time line to the Board members---.

PEGGY BARBAR: That will be fine.

DAVID ASBURY: ---if you don't care to take a minute. Does anyone not have a copy of VA 160? I think I passed that out at the beginning of the meeting. This is one of the pieces of paper that we passed out at the beginning. That's what Tabitha needs to address for the moment.

PEGGY BARBAR: Let me also remind the Board...do you want us, David, to hold our folders from thirty-three up...I mean, thirty-four up and just retain them for next time?

DAVID ASBURY: Yes, please.

PEGGY BARBAR: So, just please go ahead and put in...all of those in your satchel and retain for next time.

TABITHA PEASE: My name is Tabitha Pease. I'm a policy analyst with the Big Stone office. The reason I'm here today is just to answer any questions that you might have about the regulatory process. We do have 4 VAC25-160 in the stages of a regulatory review, which is required by law or by regulation. Right now we're on a deadline of having to have our...we currently in the Nora stage. We have to enter the proposed stage by February. So, what we have to do in the meantime look at the changes that have been proposed at this point and get comments on those from the Board members so that we can decide what we want to actually submit in the proposed stage for Executive Branch Review. So, with the holidays and everything, of course, that's going to make it kind of a short time frame to make sure that we have everything together in order to draft the documentation that we'll need to send up the road when we send our TH-2 which is the proposed background documents. I

think you all have a copy of all of the proposed changes in front of you. Those are things that David and I have worked on, along with... David has worked with several members at DGO to make those changes. There was also considerable input from Bob Wilson before he had, of course, left the agency. So, if you have any questions at this time.

BILL HARRIS: Yeah, one question. There's some underlined items. Are those the suggested changes or additions or---?

TABITHA PEASE: Yes. Anything that shows a strike through is wordage that we want to take out. Any---.

BILL HARRIS: That's currently in place?

TABITHA PEASE: Uh-huh. Yes. Anything that's underlined is new verbiage.

PEGGY BARBAR: Thank you, Tabitha.

TABITHA PEASE: You're welcome.

PEGGY BARBAR: One last thing, have you read the minutes and do I hear a motion for the minutes to be approved?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

PEGGY BARBAR: Okay. Motion is approved and seconded. All those in favor, signify by saying yes.

(All members signify by saying yes.)

PEGGY BARBAR: Okay. Assuming there is no public comment, I should not be that...too presumptionuous of that. So, does anybody want to make a public comment?

(No audible response.)

PEGGY BARBAR: Thank you.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 16th day of December, 2008.

_____
NOTARY PUBLIC

My commission expires: August 31, 2009.