

IN THE COUNTY OF WASHINGTON:

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

JANUARY 20, 2009

APPEARANCES:

**BOARD MEMBERS:**

MARY QUILLEN - PUBLIC MEMBER  
PEGGY BARBAR - PUBLIC MEMBER  
KATIE DYE - PUBLIC MEMBER  
BILL HARRIS - PUBLIC MEMBER  
BRUCE PRATHER - OIL REPRESENTATIVE

**CHAIRMAN:**

BUTCH LAMBERT - ACTING DIRECTOR OF DMME AND CHAIRMAN

DAVID ASBURY - DIRECTOR OF THE DIVISION OF GAS & OIL AND  
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BUTCH LAMBERT: Good morning. It's after nine o'clock. We need to go ahead and get started with this morning's docket. I would ask that if you have cell phones, pagers or other communication devices that you turn those off, or at least turn them on vibrate. If you do have to take a call, please take it outside. These hearings...proceedings are being recorded. We need to be as quiet as we possibly can. Also, I'd ask that you reframe from talking as much as possible. Again, these proceedings are being recorded. At this time, I'll ask that the Board introduce themselves starting with Ms. Quillen.

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

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

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

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

BUTCH LAMBERT: I'm Butch Lambert with the Department of Mines, Minerals and Energy.

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

member from Mountain Empire Community College.

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

DAVID ASBURY: Good morning, David Asbury. I'm the Director of the Division of Gas and Oil and Principal Executive to the Staff of the Board.

BUTCH LAMBERT: Thank you. The first agenda on the docket this morning...the first agenda item is the Board was to consider the post production cost allowances for involuntary pool. This docket item has been continued. The Board is still...I understand the committee is still receiving comments from the industry. I think their meeting is continued until January the 22nd, is that correct?

BRUCE PRATHER: Well, no, we've...it now will be sometime in February.

BUTCH LAMBERT: Okay.

BRUCE PRATHER: We're not having the meeting on January the 22nd.

BUTCH LAMBERT: So, that docket item is being continued. The next docket item on the agenda is a petition from Equitable Production Company for pooling of coalbed methane unit VC-537891. This is docket number VGOB-08-1209-2393. All parties wishing to testify, please come forward.

JIM KAISER: Now, Mr. Chairman, Jim Kaiser on

behalf of Equitable Production Company. At this time, we'd ask the Board to continue this item until the March docket. We're still trying to work out some identification of all of the parties in the units and some voluntary leases.

RITA BARRETT: No, boundary.

JIM KAISER: Boundaries. I've got some more housekeeping if you want me to take care of it now---.

BUTCH LAMBERT: Yes, go ahead, Mr. Kaiser.

JIM KAISER: ---in case there is people here waiting for these particular items. Item number twelve on the docket, we'd like to withdraw that petition.

BUTCH LAMBERT: It's being withdrawn.

JIM KAISER: Item number seventeen, we'd ask that it be continued until March.

BUTCH LAMBERT: That will be continued.

JIM KAISER: Item number twenty, we'd ask that it be continued until March.

BUTCH LAMBERT: That will be continued.

JIM KAISER: Then on behalf of Appalachian Energy, Inc. if you'd turn to the next page, item number twenty-seven, we'd like to withdraw.

BUTCH LAMBERT: That will be withdrawn.

JIM KAISER: And items twenty-nine through thirty-three, we'd like to continue until February.

BUTCH LAMBERT: Those will be continued.

JIM KAISER: Thank you.

BUTCH LAMBERT: Okay, for the record, that's docket item number VGOB-08-1209-2393 will be continued until March. Docket number VGOB-09-0120-2424 will be withdrawn. Docket number VGOB-09-120...I'm sorry, let me start that over. Docket number VGOB-09-0120-2429 will be continued until March. Docket number VGOB-09-0120-2432 it's continued until March. Docket number VGOB-09-0120-2437 will be withdrawn. Docket number VGOB-09-0120-2439 will be continued until February. Docket number VGOB-09-0120-2440 continued until February. Docket number VGOB-09-0120-2441 continued until February. Docket number VGOB-09-0120-2442 continued until February. Docket number VGOB-09-0120-2443 continued until February. The next item on the docket is a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530026. This is docket number VGOB-08-1209-2413. All parties wishing to testify, please come forward.

PHIL HORN: Okay, since there's no one here to hear this, we'd like to push this back to the end of the docket where we have the rest of ours, if that's okay, in front of number forty-five.

BUTCH LAMBERT: Okay, Mr. Horn, we'll do that.

PHIL HORN: Thank you.

BUTCH LAMBERT: The next item on the agenda is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit L-2. This is VGO...docket number VGOB-09-0120-2416. All parties wishing to testify, please come forward and be sworn.

MARK SWARTZ: Mark Swartz and Anita Duty.

(Anita Duty is duly sworn.)

BUTCH LAMBERT: Seeing no others, Mr. Swartz, you may continue or proceed.

(Anita Duty passes out an exhibit.)

MARY QUILLEN: Mr. Lambert, could I make a comment before we start on this?

BUTCH LAMBERT: Yes, ma'am.

MARY QUILLEN: I'd just like to thank Anita for preparing this spreadsheet. This is really, really helpful to the Board members to have all of these cases listed on the spreadsheet. We appreciate your effort doing that.

ANITA DUTY: You're welcome.

MARK SWARTZ: Well, that's a good start today.

ANITA DUTY: Yes.

MARK SWARTZ: Yeah, cool.

(Laughs.)

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. And who do you work for?

A. CNX Gas Company.

Q. How long have you worked for them?

A. Nineteen years.

Q. A good while?

A. Yes.

Q. What's your current title?

A. Pooling supervisor.

Q. Okay. And what involvement did you have in preparing the applications, the notices and the exhibits that we're going to be talking about today?

A. I was involved in the whole process.

Q. Okay. Were you the person that is in charge of making sure that everything gets done?

A. Yes.

Q. And do you delegate some of that work?

A. Yes.

Q. Do you do some of it yourself?

A. Yes.

Q. Who signed the notices of hearing and the application with regard to L-2?

A. I did.

Q. Okay. And who signed the cost estimate?

A. I did.

Q. What did you do to notify people that we would be having a hearing today with regard to L-2?

A. I mailed by certified mail December the 12th, 2008.

Q. Okay. And when you sent your certified mail, what was it that was sent to the people?

A. The entire application.

Q. Okay. And the notice as well?

A. Yes.

Q. Okay. And did you send to everyone who is listed in the notice after two on the first page and in B-3

in the exhibits---?

A. Yes.

Q. ---if you had an address?

A. Yes.

Q. Okay. And then did you also publish?

A. Yes, in the Bluefield Telegraph on December  
the 22nd.

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

A. The notice and the location exhibit.

Q. And that's sort of a part of the county map  
with the shaded location of the units?

A. Yes.

Q. Okay. Have you provided the Director with  
copies of your certificates of mailing and your proof of  
publication?

A. Yes.

Q. Who is it that...who is the applicant?

A. CNX Gas Company.

Q. And is there someone in particular the  
applicant is asking be designated as the designated operator  
of this unit?

A. CNX Gas.

Q. Okay. And in that regard, is CNX Gas

Company, LLC a Virginia Limited Liability Company?

A. Yes.

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

A. Yes.

Q. Does it have a blanket bond on file with regard to its wells?

A. Yes.

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

A. Yes.

Q. With regard to this particular unit, what kind of unit is it?

A. An Oakwood 80 acre unit.

Q. Okay. An Oakwood I 80 acre unit?

A. Yes.

Q. Are the wells that are proposed in this unit frac wells?

A. Yes.

Q. How many wells are proposed?

A. Two.

Q. Have they already been drilled?

A. Yes.

Q. And were they drilled some considerable

time ago?

A. Yes.

Q. Roughly?

A. 1996.

Q. And where are they located in relation to the drilling window?

A. Within.

Q. Okay. Both of them?

A. Yes.

Q. Okay. Have you provided the Board with regard to a total cost estimate for both wells?

A. Yes.

Q. And what is that estimate?

A. \$858,361.80.

Q. Okay. And have you provided the Board with individual estimates with regard to each of the two wells?

A. Yes.

Q. Let's start with L-2, what's the cost estimate with regard to that?

A. \$416,757.62.

Q. When you prepared this estimate...this cost listing with regard to L-2, where did you go to get the numbers? What did you do?

A. The costs were on our AFE.

Q. Which is internal records with regard to actual costs?

A. Yes.

Q. Okay. And that's where you went and you pulled those actual costs from what you spent and reported them here?

A. Yes.

Q. Okay. What's the permit number for L-2?

A. 3015.

Q. And what's the total depth?

A. 2,310 feet.

Q. And then turning to L-2A, the same process to get the cost information?

A. Yes.

Q. And what's the total cost that you came up with?

A. \$441,604.18.

Q. Okay. And what's the permit number for L-2A?

A. 3142.

Q. And the total depth?

A. 2,472 feet.

Q. And what interest has CNX been able to acquire to in this unit and what interests are you seeking

to pool by way of this application?

A. We've leased 96.2062% of the coal owners' claim and we're seeking to pool 3.7938% of the coal oil and gas claim.

Q. Is escrow required?

A. No.

Q. Is it your view and opinion that if you combine a pooling order pooling the folks listed in Exhibit B-3 as respondents and noticed in the application if you combine that with the leases and title that the applicant has been able to acquire that the correlative rights of all claimants and owners will be protected?

A. Yes.

Q. Is it your opinion based on your some nineteen years of experience now that drilling and producing two coalbed methane wells from within the window of this 80 acre unit is a reasonable way to produce the coalbed methane from this unit?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I have a question. Is Phoenix a subsidiary of CNX?

ANITA DUTY: Phoenix?

MARK SWARTZ: Not that I know of.

BRUCE PRATHER: Okay.

MARK SWARTZ: I mean, but that...it may be. I just...we're not aware of it.

BRUCE PRATHER: Okay.

MARK SWARTZ: Scott?

SCOTT HODGES: What was the question?

MARK SWARTZ: Is Phoenix a subsidiary---?

SCOTT HODGES: No.

MARK SWARTZ: Okay.

BUTCH LAMBERT: Mr. Swartz, did you provide terms---?

MARK SWARTZ: Oh, I'm sorry. Thank you very much.

Q. Would the leasing that you've been able to acquire...the leases that you've been able to acquire, what are the typical terms of those leases?

A. Five dollars an acre with a five year paid up term.

Q. Okay. What's the royalty rate?

A. One-eighth.

Q. Okay. And in general, would that be the terms of the leases of the folks with regard to the folks that you were able to lease?

A. Yes.

Q. Okay. And would you recommend those terms to the Board with regard to folks who might ultimately be deemed to have been leased if the unit is pooled?

A. Yes.

MARK SWARTZ: Thank you, sir.

BUTCH LAMBERT: Thank you, Mr. Swartz. Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

MARY QUILLEN: I have a motion and a second. Any further discussion?

(No audible response.)

MARY QUILLEN: All in favor, signify by saying yes.

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

MARY QUILLEN: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Ms. Dye. Thank you, Mr. Swartz. The next item on the docket is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit M-1. This is docket number VGOB-09-0120-2417. All

parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: Seeing no others, Mr. Swartz, you may proceed.

MARK SWARTZ: Mr. Chairman, if I could incorporate Anita's testimony from the first hearing that you testified today with regard to the applicant, the operator, her employment at CNX and standard lease terms, I'd like to do that.

BUTCH LAMBERT: Yes, sir.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

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

A. Okay.

Q. All right. What kind of unit is this?

A. An Oakwood I 80 acre unit.

Q. Okay. How many wells?

A. Two.

Q. Are they both frac wells?

A. Yes.

Q. Where are they located in relation to the window?

A. One is inside the window and one is outside.

Q. And how this one that's outside the window already been permitted?

A. Yes.

Q. Has it been drilled, if you know?

A. Yes.

Q. Okay. And with regard to this unit, what interests have you been able to acquire and what interests are you seeking to pool?

A. We've leased 90.2125% of the coal, oil and gas claim. We are seeking to pool 9.7875% of the coal, oil and gas claim.

Q. What did you do to give folks notice that there would be a hearing today?

A. We mailed by certified mail on December the 12th, 2008 and published in the Bluefield Daily Telegraph December the 22nd, 2008.

Q. When you mailed, what did you send to people?

A. The application and notice.

Q. Okay. And the exhibits as well?

A. Yes.

Q. Okay. And who did you mail to?

A. All the respondents on B-3.

Q. Okay. And in the event that you didn't have an address, obviously, you didn't. But I think that you had addresses for everyone here.

A. Yes.

Q. Have you filed your certificates with regard to mailing with the Director?

A. Yes.

Q. Would the same be true with regard to proof of publication?

A. Yes.

Q. When you published in the Bluefield Daily Telegraph was the notice and the little portion of the county map with the shaded unit, was that what appeared in the newspaper?

A. Yes.

Q. With regard to the costs of the these wells, what information have you provided to the Board first of all in terms of the total costs for the two?

A. \$7,929.29.

Q. And then turning to...did you provide an individual breakdown with regard to each well?

A. Uh-huh, yes.

Q. And did you do the work to get those numbers?

A. Yes.

Q. Okay. What is the cost for well M-1?

A. \$411,408.64.

Q. And the permit number for that well?

A. 2352...oh, 3014.

Q. Okay. And the depth of that well?

A. 2352.

Q. Feet?

A. Yes.

Q. Okay. And with regard to the M-1A well, what are the total projected costs?

A. \$289,520.65.

Q. You don't have a permit for that yet?

A. No.

Q. And what's the projected depth for that well?

A. 2,292 feet.

Q. It looks like there's no escrow agreement or no escrow required?

A. Yes.

Q. And there's no split agreements?

A. No.

Q. Is it your opinion that if you combine the interests that you've been able...that the applicant has been able to acquire by lease or purchase with a pooling order pooling the named respondents that the correlative rights of all owners and claimants would be protected?

A. Yes.

Q. Is it your opinion that drilling two wells in this 80 acre Oakwood unit and fracing them is a reasonable way to produce the coalbed methane from under this unit?

A. Yes.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Mr. Chairman.

BUTCH LAMBERT: Yes, Mr. Harris.

BILL HARRIS: In your tract identification where it says unit M-1, I'm looking at it just after the plat there. I noticed several unknown surface owners for several of these plats. Could you all address that? I mean, I noticed that there is probably a dozen or so there, page one of two and two of two.

MARK SWARTZ: You can correct me if I'm wrong, but I think as a general practice we do not take...under take to do title on surface that we're not going to disturb. Is that correct, Anita?

ANITA DUTY: Yes.

BILL HARRIS: So, in terms of leasing or in terms of pooling though---?

MARK SWARTZ: Well, we're not trying to pool them. See we're only trying to pool people that we haven't obtained a coalbed methane lease from who we think own coalbed methane. If it's just a straight up surface owner and we're not disturbing their surface, we wouldn't do title. If we're going to disturb the surface we need to interact with them on a surface basis, so we would...we would do title. So... you'll see this a lot, Mr. Harris. You just may not have picked up on it before, but we normally don't identify surface owners whose surface we're not interacting with. Sometimes we identify people as the surface owners because they have oil and gas interest as well.

BILL HARRIS: So, these folks do not, is that what you're saying then?

MARK SWARTZ: Correct. Correct. What you're seeing here---?

BILL HARRIS: That was concern if---.

MARK SWARTZ: What you're seeing on two is we've got at the beginning of number two, page one of two on the Tract IDs, okay.

BILL HARRIS: Yes.

MARK SWARTZ: You'll see Consolidation Coal, et al, Big Vein Tract and that's the recap of the mineral interest and then when you start the little 2A, B, C and so forth, then you're getting into the surface interest. So, that's sort of how we present that information.

BILL HARRIS: Okay. I got it. Thank you.

MARY QUILLEN: Just one comment on that, Mr. Swartz. This seems to be...or seems to have a lot of really small tracts with maybe only one owner in that tract. Is that---?

ANITA DUTY: Those are all surface tracts.

MARY QUILLEN: Yeah. Right.

ANITA DUTY: Individual owners own the surface, but the minerals are all underneath the Consolidation Coal Company ownership.

MARY QUILLEN: Right. I'm just clarifying why this is. It shows up over on Exhibit A of each one of those. They match up with each one of these that are listed on the tract identification, is that correct?

ANITA DUTY: Yes.

MARY QUILLEN: I think you all have done that before. Thank you.

BUTCH LAMBERT: I have one question. Maybe you can help me out here. In your Exhibit C where you gave the AFEs for each well, just for my knowledge, it seems like these wells are pretty close the same in depth, but they're almost double in drilling costs. Why is that?

ANITA DUTY: Well, M-1 was already existing. That one was drilled in '96. We have just gotten their pipeline there. In 1A it's proposed. So, the majority of the work we've already done on the first well. So, the second costs is usually a little bit less.

BUTCH LAMBERT: Okay. Thank you.

ANITA DUTY: There is a recompletion cost on M-1. That makes up quite a bit of that difference where that well had already existed.

MARK SWARTZ: It's the second line from the bottom. That's most of the difference.

ANITA DUTY: Yes.

BILL HARRIS: May I ask what recompletion entails?

MARK SWARTZ: To the best of your knowledge, if you have any.

MARK SWARTZ: Scott, you need to help us...can you

help us on that? You need to grab a chair and be sworn.

(Scott Hodges is duly sworn.)

SCOTT HODGES: The original wells that were drilled were drilled in support of---

BUTCH LAMBERT: Your name for me, please.

SCOTT HODGES: Scott Hodges. I'm sorry.

BUTCH LAMBERT: Thank you.

SCOTT HODGES: The original wells that were drilled were in support of mining. So, the...their main target was the P3 seam only. It was the concept. That's also the reason for the spacing if you look at where the wells are positioned. They were degassing that panel that was projected. So, what they're doing now is going back in and recompleting the same hole. Completing all of the coal seams that can be fraced for production.

MARK SWARTZ: And when it was first fraced, what... what seam was it fraced in?

SCOTT HODGES: The target seam was the P3. They may have gotten a little extra when they did it, but the P3 was the primary target.

BILL HARRIS: I guess I need a little more specific. What's...when we say recomplete, I mean, are we talking more cementing or drilling or---?

SCOTT HODGES: And going back in back up hole and

actually fracturing the upper seams.

BILL HARRIS: Which was not done. I was just looking at the amount of this.

SCOTT HODGES: Yes.

BILL HARRIS: You know...so, I could get better---

SCOTT HODGES: Expensive.

BILL HARRIS: Yeah. So, I can get a better idea, yeah.

SHARON PIGEON: Mr. Swartz, would you like to get Mr. Hodges to tell the Board a little bit about himself. We---

MARK SWARTZ: Well, I thought we could back into it.

(Laughs.)

SHARON PIGEON: You have very...very accurately backed into it. So, we would like some of that information.

MARK SWARTZ: Scott, why don't you...why don't you start by telling us who you work for and a little bit of your history with the company and what you do for them.

SCOTT HODGES: My name is Scott Hodges. I'm district land manager for CNX Gas Company. I've been working for the company almost thirteen years. My background...my history has been with the land side. I do

right-of-way acquisitions, leasing and lease offers. I work with operations on the planning and the placing of the wells. I work with Anita and put the poolings together. That's my history.

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: Yes. What's your educational background?

SCOTT HODGES: Educational background. I don't have a college degree. I do have a diploma and I did go to college. I don't have a college degree.

MARY QUILLEN: In what field?

SCOTT HODGES: Business management.

MARY QUILLEN: Thank you.

BUTCH LAMBERT: Mr. Hodges, was CBM...I need to follow this a little better.

SCOTT HODGES: Yes.

BUTCH LAMBERT: Is CBM-M1 that was drilled in advance of mining or---?

SCOTT HODGES: Yes.

BUTCH LAMBERT: ---in a longwall panel?

BUTCH LAMBERT: It was in advance of mining in the longwall panel, what was projected. The VP3 was active at

the time. They were planning on a lot of wells in degas for the coal mining. VP3 is idled now.

BUTCH LAMBERT: Uh-huh.

SCOTT HODGES: So, M-3 was one of the early...that was drilled in '96...M-1, I'm sorry. The same story for M-3 when we get to it.

BUTCH LAMBERT: Okay. And M-1A is a new well?

SCOTT HODGES: Yes. It will be a second well in that unit.

BUTCH LAMBERT: Could I ask that in the future when we get these wells that involve longwall panels, would it be too much to ask to get a map to go along with those?

SCOTT HODGES: It's not a problem.

MARK SWARTZ: You actually can...this is probably the only one we have...just for an illustration standpoint, Scott, this chunk of the map that I'm pointing to---?

SCOTT HODGES: Yes.

MARK SWARTZ: ---is a longwall panel?

SCOTT HODGES: Yes, the projected...the plan to panel.

MARK SWARTZ: Okay. And the M-1 well is located where?

SCOTT HODGES: In the middle of the panel.

MARK SWARTZ: Right. At the beginning of the

panel---

SCOTT HODGES: Towards the...towards the unit,  
yes.

MARK SWARTZ: Okay. And the yellow, is that  
barriers that were to be left---

SCOTT HODGES: Yes.

MARK SWARTZ: Okay. So---

BUTCH LAMBERT: So, the yellow is the P3. So,  
what's the blue? What seam is the blue?

SCOTT HODGES: I don't know what the blue...those  
are other mine projections. I don't know what they were.  
It's an upper...it's upper seams I know that.

MARK SWARTZ: Anita, what is represented by the  
blue, to your knowledge?

ANITA DUTY: Old works is all that I...I have no  
ideal.

MARK SWARTZ: Well, I'm not...do you know if it's  
in an upper seam or it's in the same seam?

ANITA DUTY: I don't know.

MARK SWARTZ: Okay.

SCOTT HODGES: It's an upper seam, yes.

MARK SWARTZ: Collectively they're getting there.

SCOTT HODGES: We work together.

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

clarification on the---.

BUTCH LAMBERT: Yes, Ms. Barbar.

PEGGY BARBAR: ---docket item number 5MI. The M-1A mine estimated cost column. If you look at that and then you look immediately beneath that for the M-2 mines, is that an error? Should that be M-2A for the estimated costs?

ANITA DUTY: Yes.

PEGGY BARBAR: Okay.

ANITA DUTY: It will match the AFE in the application. That's just a typo on the sheet.

BUTCH LAMBERT: So, we need to correct the sheet?

ANITA DUTY: Yes.

MARY QUILLEN: Mr. Chairman, I'd like to ask just one more---.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---question.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: Both of these wells are in the longwall panel, right, but different seams or---?

SCOTT HODGES: No, both of them will produce...you have the Pocahontas Number 3 seam was the seam that was being mined by the VP3 mine. So---.

MARY QUILLEN: And that's the first well that was...where the first well---?

SCOTT HODGES: Actually, both of these wells will penetrate the Poca 3...the P3. But their target at that time was just to degas for that mining. It wasn't so much for the production of coalbed methane. So, what we're doing is we're going back and completing all of the coal seams that can produce coalbed methane so we can capture all of the gas and not just the one part.

MARY QUILLEN: Okay, okay. The M-1 was the first one. That was purely for degassing for---?

SCOTT HODGES: Yes.

MARY QUILLEN: ---the mine?

SCOTT HODGES: Right. There was...at that time there was no pipeline in the area.

MARY QUILLEN: Okay.

SCOTT HODGES: Okay. It was purely for mine and safety.

MARY QUILLEN: And you said this was in 1990?

SCOTT HODGES: '96.

MARY QUILLEN: '96?

SCOTT HODGES: Yes.

MARY QUILLEN: Okay.

SCOTT HODGES: And now we've got pipeline built into the area that start catching the gas.

MARY QUILLEN: Oh, okay.

BUTCH LAMBERT: So, now, let me back up to Mr. Harris' question.

SCOTT HODGES: Yes.

BUTCH LAMBERT: Can you tell us exactly what this recompletion cost entails?

SCOTT HODGES: I know that it picking up the additional coal seams. To give you a detailed description of what they do, I couldn't tell you that. I can get you...I can get you the answer on exactly what each of the things on it they did.

BUTCH LAMBERT: Okay.

SCOTT HODGES: We can definitely get you a break---

BUTCH LAMBERT: That might be helpful.

SCOTT HODGES: Yes.

BUTCH LAMBERT: If you could do that, we'd appreciate it.

BRUCE PRATHER: Mr. Chairman, I can tell you one thing that maybe taken into play in this thing and that is the costs of 1996, the costs to do the same thing is probably 30% more and maybe even 40 depending on what you're doing and how big your frac jobs are and this that and the other. But you've got a huge escalation in these costs from 1996 to what you're doing right now.

BUTCH LAMBERT: Okay.

MARY QUILLEN: Mr. Chairman, could I ask just one thing? When you just put this into a one line item of the recompletion, would it be possible to have a breakdown that we could receive when there recompletion costs? Could we have those line items for that to give us a better idea of where these expenditures occurred?

SCOTT HODGES: Yes.

MARY QUILLEN: That would be helpful.

BUTCH LAMBERT: Any other questions from the Board?

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: The plat that was submitted with the application, the statement on the plat, to conform with regulations it needs to be changed and say that the property lines were taken from the chain of title or a deed description. That would be on Exhibit A.

BILL HARRIS: Can I followup that question?

BUTCH LAMBERT: Yes, Mr. Harris.

BILL HARRIS: Now, you're saying the wording needs to be changed or the process needs to be changed?

DAVID ASBURY: No, the wording.

BILL HARRIS: The wording?

DAVID ASBURY: Yes.

BILL HARRIS: Is that the same as what has been done though?

DAVID ASBURY: In regulations it's required that the plat submitted to the Division follow a chain of title or deed description.

BILL HARRIS: Suppose that isn't how it was arrived at. My question is this says, provided by...you know, taken from mapping provided by CNX. So, you're describing something different though, aren't you? I know you're saying the wording needs to be specifically this, but if the process was something different, are you suggesting more than a change of wording or are you---?

DAVID ASBURY: Plats that we receive at the Division by regulation are required to make the statement that those plats were taken from the chain of title or deed description and certified as such.

BILL HARRIS: Oh, okay. Okay.

SHARON PIGEON: Mr. Swartz, would you like to get some testimony addressing that?

MARK SWARTZ: Scott, did you hear that question?

SCOTT HODGES: Yes, I did.

MARK SWARTZ: And would you comment on how these deed lines or how these tract lines are prepared in fact?

SCOTT HODGES: That is the way we take...we have title opinions on the property and they plat...they map from the chains of title. So, it is how we arrived at these lines.

BILL HARRIS: Because this says something different here. I'm just saying, you know, changing the wording is one thing, but---.

SCOTT HODGES: Yes, I'm with you. I understand. I appreciate that.

BILL HARRIS: If the process is not that, then we don't need to certify that the process is that.

DAVID ASBURY: In most cases, it's a clerical. CNX does follow the regulation. I think this is just a clerical statement that can be changed and recertified.

SHARON PIGEON: So, we'll need a revised Exhibit A.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

BILL HARRIS: I move for approval with the changes indicated...with the additions indicated.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second. Any

further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit M-2. This is docket number VGOB-09-0120-2418. All parties wishing to testify, please come forward and be sworn.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: Seeing no others, Mr. Swartz, you may proceed.

MARK SWARTZ: Thank you. Mr. Chairman, I'd like to incorporate Anita's prior testimony with regard to the applicant and operator her employment with CNX and the standard lease terms if I could.

BUTCH LAMBERT: Yes.

MARK SWARTZ: Thank you, sir.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. And who do you work for?

A. CNX Gas Company.

Q. Okay. And did you participate in the preparation of this application with regard to M-2?

A. Yes.

Q. It's a pooling application?

A. Yes.

Q. Seeking to pool what kind of a unit?

A. An Oakwood 80 acre unit.

Q. How many wells are proposed?

A. Two.

Q. Where are they located in relation to the window?

A. Both of them are within the window.

Q. And are they both frac wells?

A. Yes.

Q. What did you do to notify people there would be a hearing today with regard to this unit?

A. We mailed by certified mail December the 12th, 2008.

Q. And what else did you do?

A. Published in the Bluefield Daily Telegraph on December the 23rd, 2008.

Q. Okay. When you mailed to folks, what went to them in the mail?

A. The notice and application and attached exhibits.

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

A. The notice of hearing and the location exhibit.

Q. Okay. With the shaded unit on a part of the county?

A. Yes.

Q. Okay. What...have you filed your certificates with regard to mailing and your proof of publication with the Director?

A. Yes.

Q. Do you want to add any respondents today or dismiss any?

A. No.

Q. And is the list of respondents stated both in the notice and in Exhibit B-3?

A. Yes.

Q. And this was a situation where you had addresses for everybody, so you actually mailed to everybody?

A. Yes.

Q. Is there any escrow requirement?

A. No.

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

A. No.

Q. What interest was the applicant able to acquire in this unit and what are you seeking to pool?

A. We have leased 51.2062% of the coal, oil and gas claim and we are seeking to pool 48.7938%.

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

A. Yes.

Q. Okay. Have you provided the Board with the cost information pertaining to the two proposed wells?

A. Yes.

Q. And what's the total cost of both wells?

A. \$558,337.42.

Q. And with regard to the M-2 well?

A. \$282,580.28.

Q. And does that have a permit number?

A. 9710.

Q. And the depth?

A. 2,148 feet.

Q. And with regard to the M-2A well, what's the projected cost?

A. \$275,757.14.

Q. That does not have a permit as yet or does it?

A. Yes, it does.

Q. And what's the permit number?

A. Well, it's old. It's 3152.

Q. 3152?

A. Uh-huh.

Q. Okay. So, it has been around for a good while?

A. Yes.

Q. Okay. And what's the depth of that well?

A. 1700 feet.

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

A. Yes.

Q. Is it your further opinion that if you combine a pooling order pooling the interest of the respondents identified in the notice and Exhibit B-3 would

be leases and acquisition activities of the applicant that the correlative rights of all owners and claimants to the coalbed methane will be protected?

A. Yes.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Just one. Have either of these wells be drilled?

ANITA DUTY: No.

BILL HARRIS: May I ask a question also?

BUTCH LAMBERT: Mr. Harris...yes, Mr. Harris.

BILL HARRIS: Yeah, about the...thank you. About the depth, these wells look like they're about 800 or 900 feet apart. They differ quite a bit in their depth. Is there...are we looking at the same target formation? I know these things vary and I'm not a geologist. But I know underground you do have some changes. But there's...it looks like it's about on what 300 or 400 foot difference in the depth. Are you...I guess I'm asking, are we sure we're going to be able to reach everything that we need to reach?

BRUCE PRATHER: There's one on top of the hill and the head of the valley.

BILL HARRIS: Well, now, it could be. I don't know.

BRUCE PRATHER: That's probably what it is. Would you have an elevation on it?

MARK SWARTZ: We have a topo map. Can you interpret that or do I need to hand it to my pal on my other side?

ANITA DUTY: Give it to, Scott.

MARK SWARTZ: Okay. I'll give it to Scott. Do you see the location of the two wells, Scott---

SCOTT HODGES: Yes.

MARK SWARTZ: ---in relation to the topo? Do you want to---

SCOTT HODGES: Yes, the M-2A is on the bottom. It's in a valley. The M-2 is on top of the mountain.

BILL HARRIS: Okay.

SCOTT HODGES: It's on the top of a ridge.

BILL HARRIS: Thank you.

MARK SWARTZ: And the elevation differential looks to be roughly...I mean, just eyeballing it, roughly about 400 feet just looking at the 1600 line and the 2000 line?

SCOTT HODGES: Yes, sir.

MARK SWARTZ: So, your starting position is, you know, at least 400 feet.

BILL HARRIS: Thank you.

SHARON PIGEON: And the record will reflect that's

your second witness, Mr. Scott Hodges, previously sworn.  
Thank you.

SCOTT HODGES: Thank you.

BUTCH LAMBERT: Any other questions?

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Did I hear that there's no escrow  
required for this unit?

MARK SWARTZ: There's no escrow and no splits.

DAVID ASBURY: Okay, thank you.

MARK SWARTZ: Or I'm imagining that?

BUTCH LAMBERT: Any other questions from the  
Board?

MARY QUILLEN: Just one question. On the area  
that you're...or the percentage that you're seeking to pool,  
they seem to be from these two estates, is that correct?

ANITA DUTY: The heirship, is that---?

MARY QUILLEN: Uh-huh.

ANITA DUTY: Yes.

MARY QUILLEN: It's primarily from those two. You  
have all of the addresses of these heirs. Are you still  
continuing to pursue leases from these folks?

ANITA DUTY: Yes.

BUTCH LAMBERT: Any other questions?

MARK SWARTZ: Actually, Scott, how long have you been talking to the Bairds' about leasing?

SCOTT HODGES: We've been working on...Consol has the coal leased...Island Creek Coal Company. We've been attempting to lease the gas for many years. I know Jerry Booth and I personally have met with them several times over several years. If I could just add one more thing to your question. We never stop even after we...after force poolings, we're always willing to lease with people. We do so.

MARY QUILLEN: And you're saying that you have leased the coal?

SCOTT HODGES: Consol has. Island Creek Coal Company has the coal. That's the reason that we have...we know everybody's names and addresses.

MARY QUILLEN: Because Island Creek had these coal leases?

SCOTT HODGES: Yes.

MARY QUILLEN: Okay. But they do not have the oil and gas lease?

SCOTT HODGES: We don't...right, CNX Gas Company doesn't have a gas lease with the people.

MARY QUILLEN: Okay. Thank you. Yes, that clarifies it.

BUTCH LAMBERT: Any other questions?

MARK SWARTZ: I've been talking to the Bairds probably for fifteen years. I mean, it's...you know, this stuff goes way back. I mean, I recognize some of these families and they've got...they've appointed somebody to represent them who is a lawyer over in Tennessee, I think. You start to see the same people.

MARY QUILLEN: Yeah, I mean, they seem to be---.

MARK SWARTZ: Yeah.

MARY QUILLEN: ---pretty widespread and lots of them.

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

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

BUTCH LAMBERT: All opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit M-3. This is docket number VGOB-09-0120-2419. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz, Anita Duty and Scott Hodges.

BUTCH LAMBERT: Seeing no others, Mr. Swartz, you may proceed.

MARK SWARTZ: I'd like to incorporate Anita's testimony with regard to the applicant, operator, her employment at CNX and the standard lease terms if I could.

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. Who do you work for?

A. CNX Gas Company.

Q. You passed out some revised exhibits to the Board.

A. Yes.

Q. Can you tell them what has changed so that they're not spending too much time looking for it?

A. Tract 4, we had an update to title just a couple of days ago. We actually had a notice...our notice is okay. We realize that they are some...it's put into a living trust and revocable trust. It's just a matter of changing the name. It doesn't change the interest or notice or anything like that. We just kind of---

Q. Okay. If you look at the first page of the revised exhibits that you gave the Board, item number four, okay, and compare that to the original Tract ID that went out with the application. The Tract ID you had Garnie Smith, et al, correct?

A. Yes.

Q. And now we have Garnie Smith Family Trust?

A. Yes.

Q. And then we had Garnie Smith surface and what do you have now?

A. Garnie Smith Family Trust 50% and Suzie Smith Revocable Trust 50% surface.

Q. Okay. And have you then corrected all of

those references in the rest of the exhibits?

A. Yes.

Q. Okay. Did it change your percentages in the unit?

A. No.

Q. Okay. All right. With regard to M-3, is the pooling application right?

A. Yes.

Q. Pooling what kind of a unit?

A. An Oakwood 80 acre unit.

Q. Okay. And how many wells are proposed?

A. Two.

Q. And where are they located in relation to the window?

A. One is inside the window and one is outside.

Q. And are they both frac wells?

A. Yes.

Q. Okay. And we have a portion of the mine map with us?

A. Yes.

Q. Okay. That you, in fact, I think brought with you?

A. Yes.

Q. Okay. If you would sort of hold this up and show the Board where these two wells are in relation to a longwall panel in the mine that would be helpful.

A. This is M-3, which already exists, the same situation as we had with M-1, and M-3A is proposed in the green.

Q. Okay. This green rectangle running generally in this direction was a...was a longwall panel in a mine?

A. Yes.

Q. Do you know which one mine?

A. VP3.

Q. Okay. As long as we're talking about these wells, you can tell from the permit number of the first one that it was drilled quite some time ago, right?

A. Yes.

Q. Okay. The permit number on the M-3 well is what?

A. 3041.

Q. Okay. Have you provided the Board with cost information...the total cost proposed for both wells?

A. Yes. \$783,357.99.

Q. And then with regard to the M-3 well, standing alone what is the cost?

A. \$473,051.45.

Q. And that has this large recompletion number that we had talked about earlier today?

A. Yes.

Q. What's the permit...well, you've told me the permit number is 3041. What's the depth?

A. 2,680 feet.

Q. And then with regard to the next well, the M-3A well, which doesn't have a permit yet, correct, or does it?

A. No, it doesn't.

Q. Okay. What's the proposed depth of that well?

A. 2,730 feet.

Q. And that does not have a recompletion, obviously, because it hasn't been drilled?

A. Right.

Q. But it does have frac costs and completion costs sort of toward the center of the estimate---?

A. Yes, yes.

Q. ---which are about 9025?

A. Yes.

Q. What interest has CNX been able to acquire in this unit?

A. We've leased 13.3937% of the coal claim and 15.5062% of the oil and gas claim. We're seeking to pool 86.6063% of the coal claim and 84.4938% of the oil and gas.

Q. Okay. In that regard, do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any people?

A. No.

Q. And you've made the one correction that needed to be in terms of how you refer to the Garnie Smith people?

A. Yes.

Q. Okay. What did you do to tell the respondents and others who might be interested that we were going to have a hearing today?

A. I mailed by certified mail December the 12th, 2008 and published in the Bluefield Daily Telegraph on December the 23rd, 2008.

Q. And when you mailed to the folks, the respondents, what was sent to them?

A. The notice application and exhibits.

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

A. The notice and the location exhibit.

Q. Okay. And have you filed your certificates with regard to mailing and your certificate with regard to publication with the Director?

A. Yes.

Q. Is there any escrow requirement in this unit?

A. Yes, Tract 5.

Q. Okay. Because of what reason, conflicts?

A. Yes.

Q. Are there any split agreements?

A. No.

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

A. Yes.

Q. Is it your opinion that if you combine the leasing efforts and acquisition efforts of the applicant with the pooling order that the interest and claims of all owners and claimants to the coalbed methane will be protected?

A. Yes.

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

MARY QUILLEN: Mr. Chairman, could I ask Anita---

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---to repeat the estimated cost for the 3A?

ANITA DUTY: \$310,306.54.

MARY QUILLEN: Thank you. And one additional question, is this the same scenario that we saw with the other one that the original well was drilled to vent that mine and this one because it seems like these original wells were drilled outside of the window?

ANITA DUTY: Yes.

MARY QUILLEN: Thank you.

MARK SWARTZ: And it's not accident that we're coming in for a second well because the second well always has to be where?

ANITA DUTY: Inside the window.

MARK SWARTZ: So, if it was the other way around, we'd have a problem, wouldn't we?

ANITA DUTY: Yes.

MARK SWARTZ: I assume you were headed there, but I thought we'd just go there.

(Laughs.)

BUTCH LAMBERT: Any other questions from the Board?

BILL HARRIS: Mr. Chairman, I guess...I think in

the other one we ask for in the future some type of clarification about the presentation or the...I would like to reiterate that that we would like something, you know, other than an amount.

MARK SWARTZ: We have really good memories and I'm keeping a list here. On my list, I have we need to make sure we have longwall mining maps to the extent that that might be relevant to locations because the Chairman asked about that and a breakdown of recompletion costs. So, we will do that. I noticed, much to my pleasure, that we've got the legend right on the following map. So, it looks like that was a self correcting issue. But we're keeping a list and we're checking it twice, yes.

BILL HARRIS: Thank you.

BUTCH LAMBERT: Thank you, Mr. Harris. Let's have one clarification, Mr. Swartz. On your map that you have, I think I heard you say that the green was the longwall panel.

MARK SWARTZ: I thought it was, right?

SCOTT HODGES: It's that area between the yellow.

ANITA DUTY: Yes.

BUTCH LAMBERT: But the green is not the longwall panel?

SCOTT HODGES: Right.

BUTCH LAMBERT: That's a separate seam?

SCOTT HODGES: Yes.

MARK SWARTZ: Well, I mean...let me...my impression in looking at this map was that the---

SCOTT HODGES: That hasn't been mined yet.

MARK SWARTZ: I understand, but it was the proposed longwall panel. I mean, the yellow is---

SCOTT HODGES: Right. The proposed longwall panel was here.

MARK SWARTZ: In the green.

SCOTT HODGES: What he's pointing at is this green color on the map---

MARK SWARTZ: Yeah.

SCOTT HODGES: ---was another coal seam. Those are mine areas.

MARK SWARTZ: Oh, oh, oh, okay. I just make a rectangle.

SCOTT HODGES: Yes.

MARK SWARTZ: I'm sorry. Okay, all right. The rectangle that happens to have green and white in it then?

SCOTT HODGES: Yes.

MARK SWARTZ: Okay. That runs from east to west?

SCOTT HODGES: Correct.

MARK SWARTZ: Okay. Gotcha. I understand where you're coming from. Okay.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: If Mr. Swartz if he will allow, we'll have this as Exhibit 1, if we can get a copy of that for our records.

MARK SWARTZ: Can we give this to him? Can you reprint this?

ANITA DUTY: Yeah. As long as---

SCOTT HODGES: Yes.

MARK SWARTZ: Is that cool? Okay, why don't you just pass that around?

DAVID ASBURY: Well, if you need it for future testimony or---

MARK SWARTZ: I think we're probably...that's the last one of the recompletion issues. So, we're...I think we're good to go on that. You can mark that and you'll have it.

DAVID ASBURY: We'll have this as Exhibit 2. Thank you.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. That's approved.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BB-91. This is docket number VGOB-09-0120-2420. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty and possibly Scott Hodges.

BUTCH LAMBERT: Seeing no others, Mr. Swartz, you may proceed.

MARK SWARTZ: Thank you. I'd like to incorporate Anita's testimony concerning the applicant and operator, her employment at CNX and the standard lease terms if I could.

BUTCH LAMBERT: Granted.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. Okay. This exhibit that you just passed out, the revised Exhibit B-3, what's the change, if any?

A. At the very bottom, there are three...three different asterisks with different items listed as far as leases by other companies. The original Exhibit B-3 didn't show any of the...it didn't show the different leases by different companies. We sent them a notice, but we didn't mark the exhibit as to who...which company leased which interest.

Q. So, the asterisks entries at the bottom are more specific identifications of the interest---?

A. Yes.

Q. ---than in the original?

A. Yes.

Q. Okay. What kind of a unit is BB-91?

A. It's a Nora 58.75 acre unit.

Q. How many wells are proposed?

A. Just one.

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

A. Within the window.

Q. Okay. Is it a frac well?

A. Yes.

Q. What did you do to advise folks that we were going to have a hearing today?

A. It was mailed by certified mail December the 12th, 2008 and published in the Bluefield Daily Telegraph on December the 23rd, 2008.

Q. Do you want to add any folks as respondents?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. When you mailed to the respondents, I assume you had mailing addresses for everybody.

A. Yes.

Q. When you mailed, what did you send them?

A. The notice and attached exhibits.

Q. And the application probably?

A. Yes.

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

A. The notice and the location exhibit.

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

A. Yes.

Q. What interests have you acquired in this unit...has the applicant acquired and what are you seeking to pool?

A. We've leased 99.7277% of the coal, oil and gas claim and we are seeking to pool 0.2723% of the coal, oil and gas claim.

Q. This...for this frac well, have you provided a cost estimate?

A. Yes.

Q. And what is that estimate?

A. \$292,450.85.

Q. Do you have a permit yet?

A. No.

Q. What's the proposed depth?

A. 2,572 feet.

Q. Is there any escrow requirement here?

A. No.

Q. Do any of the folks have split agreements?

A. No.

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

A. Yes.

Q. Is it your opinion that if you combine the leasing and acquisition activities that were successful on behalf of the applicant with a pooling order pooling approximately a quarter of a percent interest here that the correlative rights of all owners and claimants will be protected?

A. Yes.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

DAVID ASBURY: For general knowledge, the University of Charleston, Inc. is that Charleston, West Virginia or Charleston, South Carolina?

MARK SWARTZ: Charleston, West Virginia, I think. Right?

ANITA DUTY: Yes.

BUTCH LAMBERT: Any other questions from the

Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BB-103. This is docket number VGOB-09-0120-2421. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz, Anita Duty and Scott Hodges.

BUTCH LAMBERT: Seeing no others, Mr. Swartz, you

may proceed.

MARK SWARTZ: Again, I'd like to incorporate, if I could, Anita's testimony from the first hearing today with regard to the applicant and operator, her employment status and standard lease terms.

BUTCH LAMBERT: Granted.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. What kind of a unit is this?

A. This is a Nora 58.77 acre unit.

Q. How many wells are proposed?

A. Two.

Q. Where are they located in relation to the window?

A. Both are within the window.

Q. What kind of wells are they? Frac?

A. Frac wells.

Q. Okay. What did you do to advise people that we would be having a hearing today with regard to pooling BB-103?

A. Mailed by certified mail December the 12th, 2008.

Q. And when you mailed to the folks that you had addresses for, what did you send them?

A. The notice, application and exhibits.

Q. Okay. And did you also publish?

A. Yes. In the Bluefield Daily Telegraph on December the 24th, 2008.

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

A. The notice and the location exhibit.

Q. Have you provided the Director with your certificates regarding mailing and your certificate of publication that you got from the newspaper?

A. Yes.

Q. Do you want to add any respondents today?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. What interest has the applicant been able to acquire and what are you seeking to pool?

A. We have leased 98.5611% of the coal, oil and gas claim and we are seeking to pool 1.4389% of the coal, oil and gas claim.

Q. Have you provided cost information with regard to the wells?

A. Yes.

Q. What's the total cost of the two wells?

A. \$562,527.34.

Q. Turning to the individual costs, with regard to BB-103, what's the cost estimate?

A. \$284,157.49.

Q. The permit number?

A. 5472.

Q. And the depth?

A. 2,360 feet.

Q. And with regard to the BB-103A well, what's the cost projection?

A. \$278,369.85.

Q. Do you have a permit yet?

A. No permit.

Q. Okay. And the depth estimate on that well, the BB-103A well?

A. 2,512 feet.

Q. There is escrow requirement here, correct?

A. Yes.

Q. And you've provided the Board with an Exhibit B that outlines that?

A. Yes.

Q. There's an escrow requirement in Tract 1B, correct?

A. Yes.

Q. And in 1B the escrow requirement is partly because there's a conflict?

A. Yes.

Q. And partly because there's some address unknown issues?

A. Yes.

Q. If turn to Tract 1D, there's an escrow requirement because there's a conflict.

A. Yes.

Q. And then there's also a question regarding title...so, a title issue with regard to the oil and gas fee ownership.

A. yes.

Q. And you specified that?

A. Yes.

Q. And that title issue would be an independent reason for escrow?

A. Yes.

Q. Then lastly, some of the folks in this unit that would otherwise be in conflict have apparently entered

into split agreements?

A. Yes.

Q. Have you reviewed those agreements?

A. Yes.

Q. So, you're familiar generally with their  
turns?

A. Uh-huh. Yes.

Q. Are they generally...are they 50/50  
agreements here?

A. These are 50---.

Q. Okay. And what tracts do they pertain to,  
the split agreements?

A. 1A, 1B, 1C and 1E.

Q. Okay. And in that regard, are you asking  
the Board to allow you as operator to pay the folks  
identified in Exhibit EE their royalties directly rather  
than escrowing the royalties in the future consistent with  
their 50/50 split agreements? Is that what you were asking?

A. Yes.

Q. And that would then not require you to  
escrow on a going forward basis regarding these people?

A. Yes.

Q. But you obviously would have an escrow  
requirement regarding the Exhibit E folks?

A. Yes.

Q. Is it your opinion that drilling two wells in this Nora unit is a reasonable way to develop the coalbed methane?

A. Yes.

Q. Is it your further opinion that if you combine the acquisition activities that the applicant was successful in leasing and purchase with a pooling order pooling roughly 1.5% of the interest in the unit that the correlative rights of all owners and claimants would be protected?

A. Yes.

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

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: On Exhibit A, I believe this is probably just an error. But it indicates that the unit is 103-BC instead of 103-BB. You might need to have a revised Exhibit A.

SHARON PIGEON: Exhibit A-1.

MARY QUILLEN: A-1, I'm sorry...Exhibit A-1.

MARK SWARTZ: The square is in the wrong spot. Yeah, we'll fix that. Thank you.

BUTCH LAMBERT: Any other questions from the

Board?

DAVID ASBURY: For clarification to the escrow, I'd like to make sure that we're escrowing 1B and 1D---?

ANITA DUTY: Yes.

DAVID ASBURY: ---and those are the only two that we're escrowing? The other one is 1A, c and E have split agreements and those will be paid directly, is that correct?

ANITA DUTY: Yes. 1B has both. A portion of it will still be escrowed and a portion will be paid.

DAVID ASBURY: Thank you.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: All in favor, signify by saying yes.

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Ms. Dye. It's approved. Thank you, Mr. Swartz.

MARK SWARTZ: Thank you.

SHARON PIGEON: You'll be sending a corrected Exhibit A-1?

MARK SWARTZ: Yes.

SHARON PIGEON: Thank you.

BUTCH LAMBERT: The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BC-91. This is docket number VGOB-09-0120-2422. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz, Anita Duty and Scott Hodges.

BUTCH LAMBERT: Seeing no others, Mr. Swartz, you may proceed.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, could you give us your name again, please?

A. Anita Duty.

MARK SWARTZ: Once, again, Mr. Chairman, I'd like to incorporate her testimony from the first hearing she

testified in today with regard to applicant, operator, her employment and standard lease terms.

BUTCH LAMBERT: Granted.

MARK SWARTZ: Thank you.

Q. Anita, we've got one revised exhibit again, correct?

A. Yes.

Q. Is the revision to correct or to, I guess, explain the leasing better than you did originally?

A. Yes.

Q. Okay. So, the correction is limited to the asterisks area at the foot of the revised page that you gave them?

A. Yes.

Q. And it was made to specify or detail who leased what?

A. Yes.

Q. Okay. With regard to this unit, the BC-91 unit, what kind of unit is this?

A. Nora 58.75 acre unit.

Q. How many wells are proposed?

A. One.

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

A. It's within the window.

Q. What did you do to notify people that there would be a hearing concerning BC-91 today?

A. Mailed by certified mail, the notice, application and attached exhibits, on December the 12th, 2008.

Q. Okay. What did you do...did you also publish?

A. Yes, on...in the Bluefield Daily Telegraph on December the 24th, the notice and location exhibit.

Q. And have you provided the Director with certificates concerning mailing and the proof of publication that you got from the newspaper?

A. Yes.

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

A. No.

Q. Do you wish to dismiss any?

A. No.

Q. Have you provided the Board with well costs information?

A. Yes.

Q. And what is that?

A. \$312,563.41.

Q. And do you have a permit yet?

A. No.

Q. And the estimated depth?

A. 2,434 feet.

Q. Is it 84 or 34?

A. I put 34. Yes, 84...2484 feet.

Q. Okay. You need to sign further to the right.

(Laughs.)

SCOTT HODGES: Or write smaller.

A. I'll make a note.

Q. Thank you. She writes pretty small. I can't really complain about that. Okay, is there any escrow requirement in this unit?

A. No.

Q. Are there any split agreements?

A. No.

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

A. We have leased 99.7617% of the coal, oil and gas claim and we are seeking to pool 0.2383% of the coal, oil and gas claim.

Q. Okay. Is it your opinion that if you combine the leasing and acquisition efforts that were

successful with the applicant with a pooling order pooling the named respondents that the correlative rights of all owners and claimants would be protected?

A. Yes.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board? Ms. Quillen?

MARY QUILLEN: I have just one question. One your spreadsheet, you have 2,434 on the spreadsheet. When I look at the depth on the AFE it's hard to tell what it is. Is it supposed to be 84?

ANITA DUTY: It's an 8, yes. I think we did the same thing when we did the spreadsheet.

MARY QUILLEN: Oh, okay. Okay.

ANITA DUTY: You couldn't tell, but it's 8.

MARY QUILLEN: Thank you.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion to approve and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz. It's approved.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: I think we're going to go ahead and take about a ten minute break.

MARK SWARTZ: Actually, we're going to continue this if we could.

BUTCH LAMBERT: Continue?

MARK SWARTZ: The next one---

SCOTT HODGES: Until next month.

MARK SWARTZ: ---until next month. So, I'm done basically is what I'm saying.

BUTCH LAMBERT: We'll continue that until---

MARK SWARTZ: Cool. I was just trying to---

BUTCH LAMBERT: ---February

MARK SWARTZ: We told Mr. Link Smith who was here to come back in February. We've got a title issue.

BUTCH LAMBERT: Okay.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: Thank you, Mr. Swartz. We'll go ahead and take a ten minute break.

(Break.)

BUTCH LAMBERT: Okay, we're ready to resume. The next item on the agenda is a petition from Equitable Production Company for establishment of a provisional drilling unit consisting of 320 acres for the drilling of horizontal conventional gas wells. This is docket number VGOB-09-0120-2425. All those wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of Equitable Production Company. At this time, we'd ask that you also call items fourteen, fifteen, sixteen and eighteen and we'd ask that the Board allow us to consolidate these matters. All five of those units just have one royalty owner Penn Virginia.

SHARON PIGEON: Which ones again?

JIM KAISER: Thirteen, the one he just called, fourteen, fifteen, sixteen and eighteen.

BUTCH LAMBERT: Also calling a petition from Equitable Production Company for establishment of a provisional drilling unit consisting of 320 acres for the drilling of horizontal conventional gas wells served by well VH-531266. This is docket number VGOB-09-0120-2426. Also, calling a petition from Equitable Production Company for establishment of a provisional drilling unit consisting of 320 acres for the drilling of horizontal conventional gas wells served by well VH-531263. This is docket number VGOB-09-0120-2427. Also, calling a petition from Equitable Production Company for establishment of a provisional drilling unit consisting of 320 acres in the drilling of horizontal conventional gas wells served by well VH-531151. This is docket number VGOB-09-0120-2428. Also, calling a petition from Equitable Production Company for establishment of a provisional drilling unit consisting of 320 acres for the drilling of horizontal conventional gas wells served by well VH-531133. This is docket number VGOB-09-0120-2430.

JIM KAISER: Mr. Chairman, our witnesses for these five matters will be Ms. Rita Barrett and Mr. Luke Shankin. We'd ask that they be sworn at this time.

(Rita Barrett and Luke Shanken are duly sworn.)

BUTCH LAMBERT: Seeing no others, you may proceed,  
Mr. Kaiser.

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

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, would it be your testimony that all five of these 320 acre units have just one oil and gas owner, that being Penn Virginia and they have been notified by return receipt...by certified mail return receipt requested?

A. That's correct.

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

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I have a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: Rita, I assume these were all Roaring Fork units. That's what it says.

RITA BARRETT: They are, Mr. Prather.

BRUCE PRATHER: So, I'll abstain.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Prather.

LUKE SHANKEN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Luke Shankin, Equitable Production Company as a geologist.

Q. And you've testified before the Board on the establishment of those provisional horizontal conventional units on many occasions?

A. Yes, sir.

Q. Okay. In conjunction with your previous testimony, could you go through your handout that you prepared for the Board today to explain Equitable's proposal to drill those wells?

A. Okay. The handout that you have in front of you is our normal conventional horizontal unit handout. The page labeled AA, this is a 320 acre square unit with dimensions of 3,733 feet by 3,733 feet with a 5,280 foot diagonal from corner to corner. It would be a 300 foot interior window with a 600 foot standoff from adjacent grid horizontal wellbores. We should be able to drill the

surface location outside of the unit so long as production comes from within the unit. A minimum of a 600 foot standoff distance between the horizontal wellbore and any vertical well producing from that same horizon. This will allow for multiple wells and/or laterals in this unit for maximum drainage. In some cases, two or more wells may be able to use the same pad due to terrain restrictions. The page labeled DD, it just shows the dimensions of this unit, again, 3,733 feet by 3,733 feet with the 5,280 foot diagonal. Page CC just lists some of the benefits of horizontal drilling. Again, we have fewer issues with coal mining. There's less surface disturbance. We can more effectively extract the resource. Our laterals can reach into areas otherwise inaccessible by the vertical wellbores due terrain or other such issues. We've got higher depletion rates and shorter lives to wells. We get more gas out faster. This will encourage future development of the resource. DD just shows the placement of these six...or five actually...the unit labeled 1094 in the docket number following this, but it shows the placement of these on the overall map of Wise County there. Then EE-1, shows the unit served by well 531267 and the wells that are existing in that unit. The difference between the well symbol that is colored in black in the middle and it's not colored in is

the well symbol that is colored in black. Those wells make a little bit of oil. So, that's just extinguishing between us. Not a significant amount, but that's why those are different...different colors there. EE-2 shows the unit served by well 531266 and its existing wells. EE-3 shows the unit served by well 531263 and its existing wells. EE-4 is unit served by well 531151 and the existing wells in that unit. Then EE-5 is the wells...or the unit served by well 531133 and the existing wells in that unit. Then EE-6 will actually be for the next item called.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Let me just ask for a clarification. The black colored well indicators, those are still producing gas, is that right?

LUKE SHANKEN: They're still producing mostly gas, but in this case it means the wells do produce some oil and that's more of a extinguishing for us on our maps. But just since it's different on the stuff that you guys have to clarify.

BILL HARRIS: Okay. Okay. Thank you.

BUTCH LAMBERT: Any other questions from the Board?

DAVID ASBURY: Mr. Chairman, I have one question.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: As far as the unit is concerned, are you going to identify the unit by the well number---?

RITA BARRETT: Yes.

DAVID ASBURY: ---or are we going to, as an example in number thirteen or is docket item 2425, would you want that to be EQT2425 unit and description for tracking in case you want a second well in that unit?

RITA BARRETT: Yes. We will put those last four digits of the docket numbers on our permit applications so that we can---

DAVID ASBURY: (Inaudible)

RITA BARRETT: ---all better track these units, yes.

DAVID ASBURY: Okay. For testimony, Mr. Chairman, item thirteen, docket number 2425, we'll call that unit EQT2425. We'll follow that through the other docket units 2426, 2427, 2428 and 2430. We'll internally identify those as units with the docket number as the last four numbers.

RITA BARRETT: Instead of EQT, we would ask that that be EPC.

DAVID ASBURY: Okay, EPC. Thank you, Mr. Chairman. Thank you, Rita.

RITA BARRETT: Thank you.

BILL HARRIS: Well, since you're designating

numbers, is there any separate designation to indicate these are horizontal wells or is that necessary?

DAVID ASBURY: Are you asking me?

BILL HARRIS: I'm just asking anyone that might be able to answer.

BRUCE PRATHER: Usually VH.

RITA BARRETT: The VH, that's our designation for Virginia Horizontal.

BILL HARRIS: Okay, good.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

JIM KAISER: Yeah, we'd request that these applications be approved as submitted, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve item thirteen, fourteen, fifteen, sixteen and eighteen with those changes specified by Mr. Asbury identifying those units.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying

yes.

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

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: One abstention, Mr. Prather. Thank you, Mr. Kaiser. Those items are approved.

RITA BARRETT: Thank you.

JIM KAISER: I know it gets confusing with the continuances and stuff.

BUTCH LAMBERT: The next item is a petition from Equitable Production Company for establishment of a provisional drilling unit consisting of 320 acres for the drilling of a horizontal conventional gas well served by wells VH-531093 and VH-531094. This is docket number VGOB-09-0120-2431. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, again, Jim Kaiser, Rita Barrett and Luke Shanken. We'll start with Ms. Barrett. Before we get into your testimony, we would like to remove well number V-531093 from this matter. Is that correct, Ms. Barrett?

RITA BARRETT: Yes.

JIM KAISER: Again, the unit will actually be

identified as EPC2431 served by just the second well as to  
VH-531094.

BILL HARRIS: Do we keep the 1094?

JIM KAISER: Yes, sir.

SHARON PIGEON: You're going to need to give us  
some revised exhibits reflecting that change.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Again, Ms. Barrett, have all parties owning  
an interest...are all parties required by Section  
19...361.19 of the Virginia Gas and Oil Act been notified by  
certified mail return receipt requested?

A. They have.

Q. And in this particular unit, we did have  
some unknowns and we did publish, is that correct?

A. That's correct.

Q. And by...just by way of information, since  
these units have...or this unit has considerably more  
respondents than the five that we just did in this

particular unit, we do have a 100% of the interest under  
lease?

A. We do.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

JIM KAISER: We'll turn now to Mr. Shanken.

LUKE SHANKEN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Go through the relevant parts of your  
handout for this particular unit.

A. Okay, the same for AA, BB and CC that  
applied for the last testimony are the same for this unit.  
If you look at page labeled DD on the handout for the  
previous ones, you can see the location of this unit in  
relation to the ones that were already approved today in  
Wise County. It's the easterly most unit on DD. Then, if  
you turn to EE-6 in the back, that shows the unit served by

this well 531094 and the existing wells that are around there.

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

BUTCH LAMBERT: Questions from the Board?

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---in my mind. The previous was a Roaring Fork unit in the Richmond District and this is a Roaring Fork unit in the Robinson. Is Richmond and Robinson back up...do they back up to each other?

LUKE SHANKEN: I'm not sure.

RITA BARRETT: I'm not sure, Ms. Quillen. I think they do, but I am not sure.

MARY QUILLEN: I think they do too. They're in the Wise area over toward Pound, is that right?

RITA BARRETT: They're both in the Pound quad. That I can say for certain. I'm not sure if they back up to each other or not.

MARY QUILLEN: Yeah. Thanks. That clarifies my question. I just...my own information. I was just interested.

BRUCE PRATHER: These wells are what they call

Bold Camp area, this last one over here. That 31983738 were the first two wells drilled in an area called Bold Camp.

MARY QUILLEN: Okay. Just curious...my own curiosity.

BUTCH LAMBERT: Any further questions from the Board?

BILL HARRIS: Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: They haven't talked about the location of the well, I don't think. Is there going to be testimony to that effect or are we still putting on testimony? I do have a question...let me ask a question. In Exhibit A that actually shows your map, I'm searching for the well location there.

RITA BARRETT: That's...we're attempting to establish that particular unit.

BILL HARRIS: So, you're just doing the unit rather than the well location---?

RITA BARRETT: Yes, sir.

BILL HARRIS: ---specifically?

RITA BARRETT: Right.

BILL HARRIS: Okay. Okay. And you'll back for...I would presume?

RITA BARRETT: We'll depict the well location in

the horizontal directions on our permit application.

BUTCH LAMBERT: Any further questions?

JIM KAISER: Remember now, in the Board's order establishing these units, it does allow us to---

BILL HARRIS: Drill outside---

JIM KAISER: ---drill outside of the---

BILL HARRIS: Yeah.

JIM KAISER: Right. (Inaudible.)

BILL HARRIS: For some reason I was just thinking that we usually indicated or that you all usually indicated the location of the well. Okay, that's fine. Thank you.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Are there any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

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

BUTCH LAMBERT: Oppose, no.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: One abstention, Mr. Prather. It's approved. Thank you, Mr. Kaiser.

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item is a petition from Equitable Production Company for establishment of a provisional drilling unit consisting of 480 acres for the drilling of horizontal conventional gas wells served by wells VH-531021 and VH-539909. This is docket number VGOB-09-0120-2433. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Luke Shanken and Rita Barrett.

BUTCH LAMBERT: Seeing no others, Mr. Kaiser, you may proceed.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, again, would it be your testimony everyone required by statute has been notified and...has been notified by certified mail return receipt

requested?

A. Yes.

Q. And we did not have any unknowns in this particular unit, correct?

A. We did not.

Q. And, again, by way of information for the Board's purposes, there are some unleased interest in this unit that we're attempting to form today, but we're currently working on obtaining voluntary leases and if not successful in leasing a 100% of the unit, we'll probably put this on the docket in March for force pooling, is that correct?

A. That's correct.

Q. Actually, we have acquired some leases that are not represented on the schedule of ownership, but we still have unleased interest that we're presuming acquisitions?

JIM KAISER: I've got nothing further of this witness, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

LUKE SHANKEN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Shanken, if you'll...we've got a different handout for this because we are requesting something a little different here, 480 acre provision unit versus a 320 acre unit. So, if you could go through your handout with special emphasis on why we're requesting the bigger provisional unit here.

A. Sure. We'll go ahead and start this... Exhibit AA is similar to what we do for the 320, but the dimensions have changed with the 480 acre unit. It's 3,733 feet by 5,600 feet in this case with a 6,732 foot diagonal from corner to corner. Again, there will be a 300 foot interior window with a 600 foot standoff from adjacent grid horizontal wellbores. We should be able to drill the surface location outside of the unit so long as production is coming from within the unit. A minimum of 600 feet distance from the horizontal wellbore and any vertical wellbore producing from that horizon. This will allow for multiple wells and laterals to be drilled for maximum drainage. In some cases, two wells may use the same pad due to terrain restrictions. BB outlines the dimensions of those units. Again, as I said before, 3,733 feet by 5,600 feet with a 6,732 foot diagonal. Then CC, the benefits of

horizontal drilling, it's the same as before. We have fewer issues with coal mining. There's less surface disturbance. It can more effectively extract the resource. Our laterals can reach into areas otherwise inaccessible by vertical wellbores. We have higher depletion rates and shorter lives to these horizontal wells. This will encourage future development of the resource. Okay, now, as we go into this specific unit in DD, you can see the location of that unit on the map in relation to Wise County and the quads around there. If we look at EE, you can see the two wells...the two locations marked 539909 and 531021 are the two horizontal locations that we have planned in this unit. The 480 acre unit being on the left and on the right with the blue line going through it, that is an existing well with an already approved horizontal unit. So, you can see this 480 acre unit abuts right up against an already approved and drilled horizontal unit. Then the dotted line on this map shows the approximate location of where the 320 acre grid would be. So, you can see that our wellbore for 531021 would actually be all right with a 320 acre unit, but the wellbore for 539909 we would not be able to drill that well with a 320 acre unit separating these two wellbores...these two locations. Again, if you look at FF, this just shows this with our acreage behind it, another different view.

You get to see more of the existing wellbores that are around there. Well 539909 proposed location is actually (inaudible) vertical well. The 536894 these locations were chosen due to terrain restrictions in the area and due to coal restrictions as to as far as where we could get these locations. Then on the next page GG, what I've done here is you can see the 320 acre unit is laid on there as before but I've actually put what it would be as if we had two 320 acre squares there. You can see, we would be crossing from one 320 acre unit into the next and there would be a large section of that unit to the west that would not have any lateral underneath it. We feel the 480 acre unit is the best way to get these two wells drilled and be paying the correct royalty owners. But this...I guess, this is what we're proposing right here and the reasons why we're proposing it.

RITA BARRETT

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. KAISER:

Q. So...and this may be a question for Ms. Barrett, but we've identified all of the royalty...potential royalty owners within the 480 acre unit, correct?

A. Yes, sir.

Q. And both of these laterals would stop inside the interior window within that 480 acre unit, correct?

A. That's correct.

Q. So, there wouldn't be any correlative rights issues---?

A. That's correct.

Q. ---is that correct? And we have been able to form this unit to the west of an existing unit and again there is no gap or potentially undrained/uncompensated acreage between the units, is that correct?

A. That's correct.

Q. Okay, thank you.

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

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Mr. Chairman, let me ask about this 480. I know we had a discussion a couple of months ago about whether or not we should subdivide some of the previously unitized areas. What happens that other half of that unit that's out there?

LUKE SHANKEN: Eventually, the plan would be to just incorporate that to another unit that would abut up against that. But right now we haven't looked that far to

the west.

BUTCH LAMBERT: Another 320 or another 480?

LUKE SHANKEN: I couldn't say right now. Like I said, I haven't really looked at the wells to that west. It might depend upon the success of these wells as we drill in that direction or, you know, terrain and topography of everything and how the wellbores locations would fit out in that direction.

BILL HARRIS: But, I mean...well, what about drainage though? I mean, is there a problem with drainage of gas from that area versus...I mean, you know, you've done...what you've done on the surface is cut that in 420 rather 760, for instance, if you were doing two wells going side by side. I guess, I'm a just a little concerned about that section that remains.

JIM KAISER: Again, Mr. Harris, as I just asked Ms. Barrett, because we are...both the laterals...both laterals in the 480 acre unit will stop inside the interior window, it will have any adjoining unit there will be at least a 600 foot difference between any laterals because of the 300 foot setback. It's the say as if we had 300...two 320s next to each other. It would still be a 600 foot setback.

BILL HARRIS: Well---

BRUCE PRATHER: I have a question. I probably shouldn't ask it. Is the small half of the unit that's west of this, is acreage in here not leased?

RITA BARRETT: Given that it is not colored in, Mr. Prather, I would say that that's adverse acreage, but we are presuming acquisitions on all of these. We will not...this won't be a gap in a future well.

BRUCE PRATHER: What I would suggest you do when you pool that adjacent unit make a regular unit. If you don't have that acreage out there...you've got adverse acreage you might have some problems with the drainage and this that and the other. So, what I would suggest to you would be pool that adjacent unit there and that way you've got the possibly resolved as far as---

RITA BARRETT: But we don't have that adjacent unit established. We're not sure what we've going to do in that situation whether it's going to be another 480 or another 320. But that will not be left in the---

JIM KAISER: Yeah, if we did, we'd obviously have to pool it if we don't---

BRUCE PRATHER: Yeah.

RITA BARRETT: ---out in the future well.

BRUCE PRATHER: Yeah.

LUKE SHANKEN: I guess this little space on the

edge here, it wasn't left out for any other reasons besides the fact that we only needed the 480 to encompass the two laterals that we wanted to drill. We didn't cut a lateral short to not cross over a line. We have the length that we want and we can stay within the interior window of that 480 and that's why we chose this size.

JIM KAISER: The unleased acreage is...I don't know what the scale of this is, but it is, obviously, a pretty good distance from the end of the lease boundary there.

RITA BARRETT: This is 1 to 400.

JIM KAISER: So, I don't think there would be any drainage issues.

RITA BARRETT: We're not draining the unleased acreage in this unit.

JIM KAISER: And, again...again, we've basically... because of topography and coal issues, I don't guess if we didn't do it this way I don't think we'd be able to produce theoretically any of the gas under the unit that's furthest to the west.

LUKE SHANKEN: Because if we did two 320 acre units next to each, the lateral for 539900 that location is too far away in order to get within the interior window on the next unit before we get into the producing formation.

There's too much distance in between the top hole for that horizontal wellbore and to get inside the interior window if there were two 320 acre units next to each other. So that's kind of why we want to combine this into a larger unit to fit this other wellbore in there with complications.

JIM KAISER: So, would it be your testimony that this plan represents the best way to efficiently produce the reserve and protect correlative rights?

LUKE SHANKEN: Yes.

BILL HARRIS: I guess my concern is that if start chopping these already established...well, actually 320 is not established.

JIM KAISER: We're not chopping. Yeah.

LUKE SHANKEN: Yeah, exactly.

BILL HARRIS: But it just---

JIM KAISER: We're not chopping anything. We're just building a bigger unit onto an existing 320.

BRUCE PRATHER: The only problem I have with it would be I don't know why you just don't put that other 160 with it. I mean, you've got most of it under lease anyway and come in and pool the rest of it and you've got it made.

LUKE SHANKEN: So, you mean just make 640 acre unit rather than---

BRUCE PRATHER: Sure...no, add this other...yeah,

it would be 640, but it would be...you know, that would be a 320 there. You just add it on. You could come in and pool it if you couldn't get the lease. It would make it a total 360.

LUKE SHANKEN: I mean, I don't---.

BRUCE PRATHER: I mean, the only thing I'm looking at this thing is you've got a half a unit sitting out there that possibly some of it belongs to somebody else.

RITA BARRETT: Well, Mr. Prather, as we said, that unleased acreage to the west is quite a distance from the final depth of the lateral. We are attempting to lease these unleased interests and we plan to build, don't we...I mean, any...the next unit will build on that. So, there won't be a gap there. We're not going to leave anybody out as we build these out. I guess, again, we just left it as a 480 because where our planned laterals go, they don't...they don't go underneath this...where this additional half if this were two 320s would exist. So, that's kind of why we left this as a 480 instead of a 640. But, you know, our main concern is just, you know, drilling the wells and whatever what you guys think is fitting.

BRUCE PRATHER: I understand.

JIM KAISER: Again, and maybe...it's something that would help you, I think...correct me if I mispeak here,

but I think if you insert an interior window, a 300 foot setback into this drawing, this lateral is not going to extend out as far as it looks right now. So, in other words, you're going to be back in here somewhere. Again, we've established through these orders that as long as we have, you know, all of the productions coming from the interior window and we have at least a 600 foot spacing between any lateral bores, then there's not a correlative rights issue.

BILL HARRIS: I think the thing that sort of...that strikes me is that in the past we had been putting together four 80 acre units to get the 320. You're putting together six basically for this.

LUKE SHANKEN: Well, these actually...I mean, getting...we're also trying to not bring the CBM grids up into this horizontal grids, I guess, down into the horizontals. This is actually under the Nora Field Rules, which are 60 acre grids...CBM grids and not 80s anyway.

JIM KAISER: Again, these are conventional wells.

LUKE SHANKEN: We're trying to not necessarily apply the CBM grids to the conventionals.

BILL HARRIS: Dictate that, yeah, okay.

LUKE SHANKEN: Yeah.

BILL HARRIS: One other question about the

direction in laterals. I'm sure...well, I'll probably answer this myself. For engineering reasons, is that why they're angled. I notice both are parallel. Is that because of the---

LUKE SHANKEN: Geologic reasons with natural fractures that are within the shell that we're targeting probably with these run in a southwest to northeast direction. So, we try to go...we try to---

BILL HARRIS: So, you're going to cross perpendicular?

LUKE SHANKEN: ---go across those, exactly.

BILL HARRIS: Well, in that regard...and, of course, this is asking for an opinion, but if you were to add those other two...again they're not 80s, but if you were to add what appears to be that other half of that 320 would you do a third lateral. I mean, would there...I mean, I'm saying that just looking at the picture and balances it out. I know engineering wise and underground wise, you know, things don't work that way. But---

LUKE SHANKEN: I mean, in that case it would come down if on this third edge we could get an additional spot due to terrain and, you know, local issues. As far as that goes, I'm not sure. I mean, spacing wise if we could fit

one and if the surface worked out we would, but just the same as if we moved it a little further over and incorporated that into another 320, we would drill that as well.

BUTCH LAMBERT: Any other questions?

SHARON PIGEON: I have a question about the exhibits. Ms. Barrett, you referred to a schedule of ownership, that's not something that we really have here, is that correct?

JIM KAISER: It should be an exhibit.

RITA BARRETT: That is the ownership that's attached to your Exhibit A that has the tracts identified property leased or unleased. It's attached---

JIM KAISER: It doesn't show the percentage of ownership. It just shows everybody who has got an ownership and is entitled to notice under the statute.

SHARON PIGEON: And it's marked as Exhibit A, supplement sheet two, is that what you're referring to?

RITA BARRETT: Well, my is cut off...yes, yes, supplemental sheet two at the bottom.

SHARON PIGEON: And then as Mr. Kaiser has clarified, we don't have any percentages of ownership shown on this. So, the fact that you continue to lease wouldn't alter that exhibit?

RITA BARRETT: We actually do have the percentage. We have the acreage and the percentage of the ownership---

SHARON PIGEON: You do, okay.

RITA BARRETT: ---depicted. We are currently pursuing acquisitions on the unleased interest. We do have individuals that are leased that aren't shown on here because we got them. We leased them after these exhibits were---

SHARON PIGEON: Well, in that case, I think it would be appropriate for you to supplement that with a revised exhibit so that we have that.

RITA BARRETT: Well, I'd be happy to. I'd be happy to.

SHARON PIGEON: Okay, thank you.

JIM KAISER: I think that's the first time we've done this on one of these. Normally, we just have an Exhibit B that depicts everybody who is entitled to notice--  
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SHARON PIGEON: Well---

JIM KAISER: ---because this isn't a force pooling. It's a unit establishment.

SHARON PIGEON: ---I wasn't sure if that showed leased or ownership interest.

JIM KAISER: It's probably irrelevant to this

application.

SHARON PIGEON: Well, but since she has referred to it and since we have it, I want it to be correct.

JIM KAISER: That's fine.

SHARON PIGEON: Additionally, the next two pages are identified as Exhibit...that's a little confusing. Do we have a number AA?

RITA BARRETT: I guess we could call that...you have an AA, don't you, Luke?

LUKE SHANKEN: Yeah, I---.

JIM KAISER: Why don't we call it B?

SHARON PIGEON: Okay, we'll call it B.

JIM KAISER: Let's call it B.

SHARON PIGEON: Are they both B?

JIM KAISER: Yeah.

SHARON PIGEON: Two pages of B?

JIM KAISER: Yeah.

RITA BARRETT: Yes, ma'am.

SHARON PIGEON: All right. Thank you.

RITA BARRETT: You're welcome.

DAVID ASBURY: Mr. Chairman, can I understand... summarize what I think my understanding is here of this unit?

BUTCH LAMBERT: Mr. Asbury, go ahead.

DAVID ASBURY: Thank you. We have a 480 acre provisional unit.

LUKE SHANKEN: Yes.

DAVID ASBURY: There's going to be a 300 foot offset around the unit. Well 531021 may be drilled in that or near the perimeter of the 480 acre unit, but it will not contact the horizon inside that offset, is that correct?

LUKE SHANKEN: Yes. We will be within the interior window.

DAVID ASBURY: You will be in the interior window with that unit and the other one as well?

LUKE SHANKEN: Yes, sir.

DAVID ASBURY: Okay. And your laterals are going to be 600 feet apart?

LUKE SHANKEN: In this case, they will be. But that part of it I think actually goes with laterals and adjacent horizontal units...provisional units that are set up. In this case, yes, they will be---.

DAVID ASBURY: Okay.

LUKE SHANKEN: ---further than 600.

DAVID ASBURY: All right. Thank you.

JIM KAISER: Yeah, I might also point out I guess just to kind of show that we've put a lot time and thought into this. We did have a meeting with Mr. Asbury and some

of his folks prior to the following of this application to just sort of, you know, make sure, you know, he understood what we're doing---.

DAVID ASBURY: Thank you.

JIM KAISER: ---if we try it.

BUTCH LAMBERT: Just for discussion, I know this issue came up a few months ago, just to remind the Board that we decided not to do this because of what might happen down the road in the sequence in these units out. So, just for discussion---.

BILL HARRIS: So, when you say "not to do this", not to---?

BUTCH LAMBERT: Not to allow this 480.

BILL HARRIS: ---extend---?

BUTCH LAMBERT: We were going to do the 320s and allow them to extend into the next unit, as I recall.

BRUCE PRATHER: And do waivers---.

BUTCH LAMBERT: Yes.

BRUCE PRATHER: ---if it was required.

BUTCH LAMBERT: That's correct.

MARY QUILLEN: My question to that if you have addressed it. But even though we don't have field rules so to speak for the horizontal, that...they would be limited to 320 acres. Even though it was in a different location

before when this was discussed. It wasn't in this location. But it would apply to all locations for horizontals? Is that what you're saying?

BUTCH LAMBERT: As I recall---

RITA BARRETT: I don't mean to question your recollection or memory, but I think that at that particular hearing we had questions that we could not answer as far as surrounding property and no decision was made on a 480 acre unit because we withdrew that so that we could further discuss it with Mr. Asbury and get our ducks in a row a little better as to why we wanted to do this. I don't think a decision was made not to allow a 480 acre unit, unless it was another company that was attempting it.

BRUCE PRATHER: If I recall right, what the deal was the unit that you were proposing at that time didn't fit the coordinates, if I recall right. It didn't fit the coordinates.

JIM KAISER: You may be right.

BRUCE PRATHER: I mean, it was within a big block of acreage, but it didn't fit the coordinates that you've got now.

JIM KAISER: Well, in our meeting Mr. Asbury, we did discuss whether we could...whether we should do it, you know, this way. Don't get the idea that we're going to

start coming in here with a bunch of 480s. I mean, that's not going to be the norm at all or should we do it as two 320s next to each and ask for some kind of variance. I think we decided at least in this particular case this would be the better way to do it.

BUTCH LAMBERT: Was that in your discussions with Mr. Asbury?

JIM KAISER: Correct.

DAVID ASBURY: We still are in provisional units.

JIM KAISER: Right.

DAVID ASBURY: This is a new frontier. We don't know if 400 acres 320 acres of 480 acres is the right answer yet. This is the first unit of such that would give us at least an indication if a 480 acre horizontal unit is correct.

BUTCH LAMBERT: Okay. Ms. Barrett, let me ask a question. You said that to the far west of that unit you still didn't have the leases on that area.

RITA BARRETT: We're pursuing leases on that.

BUTCH LAMBERT: Okay. What happens if you don't get those lease?

RITA BARRETT: We will establish that unit and bring it to force pooling.

BUTCH LAMBERT: Okay. So, then my question that I

asked earlier too Mr. Shanken, what would you see your next unit to the west be? Another 480 or a 320?

LUKE SHANKEN: The plan right now would be a 320 acre unit as long as we can get out surface locations fit to where the 320 acre unit works, which in most cases we do, but that's mostly what we bring in front of the Board. From my standpoint, I think the reason that we decided to go with a 480 acre here too instead of two 320 acre units with a variance to cross is partly due you can see on the map that we don't have any plans of going underneath and draining this acreage to the far west. So, for us it made the most sense to form the unit around where these laterals were actually going to be going underneath the acreage.

BUTCH LAMBERT: So, you can make statement and you won't be back to drill under that because you don't foresee ever draining that area?

LUKE SHANKEN: Not with this unit. I mean, if we want to drill this stuff to the west like Ms. Barrett said, we'll establish another unit with other surface locations and drill those wells to the west. I mean, that would be a separate issue---.

JIM KAISER: It would be a separate 320 where we would either have to obtain voluntary leases on the acreage that...from this little part and then, you know, another

half over here we're forcing pooling.

BUTCH LAMBERT: This little part, do you mean to the west?

JIM KAISER: Yes.

BILL HARRIS: I think the concern here is that we not...even though conventional is different than the grid layout that's already there, I think to be consistent we were trying to sort of match those up. I think this was the opposition maybe a couple of months ago in that discussion that we were kind of overlapping pieces of the 80 acre units or whatever. Again, these are 60s. So, how does the 60 grid, does it fit within this at all?

LUKE SHANKEN: I mean, 60 and 320, the 60 acre doesn't---

BILL HARRIS: Yeah, you're not going to---

LUKE SHANKEN: ---come down under this, no

BILL HARRIS: So, this is---

LUKE SHANKEN: But, again, this 480---

JIM KAISER: And, again...well, go ahead.

LUKE SHANKEN: I'm just saying it does abut up with already approved and drilled unit with no spaces in between.

BILL HARRIS: That's to the east.

LUKE SHANKEN: To the east.

JIM KAISER: Yeah, the issue...at least in my humble opinion that you should be concerned about is not whether or not it's 480s or 560s or 860s. It is, will these things abut so that there's no uncompensated acreage.

BILL HARRIS: Right. We don't want stranded acreage I think is the term I've heard.

JIM KAISER: Right.

BILL HARRIS: And I think that's the concern that those two on the...again, I'm saying those two on the left, I'm making them 80s and I'm making them part of that 320 that's split in half, which, again, is not the case. But, I guess, I'm just thinking what happens there. We could just as easily make that argument to the south of this or to the north of this, I guess.

LUKE SHANKEN: Yeah, I think instead of thinking as a 320 split in half, I guess, which is kind of how I showed it, it would be better to think of it as a 480 here and it would be another 320 abutting to the west there instead of splitting half it's half of a unit that doesn't exist. So, it would be a full unit when we established it.

BUTCH LAMBERT: What would you foresee to the south of that 480 acre? What you hypothetically...what kind of unit would you propose for the...if you were going south?

LUKE SHANKEN: A 320 acre unit is what we're

trying to stay with except for instances where our surface locations don't allow for the drilling of one of the wells.

BUTCH LAMBERT: South or north either way?

LUKE SHANKEN: Yeah, that's what---.

JIM KAISER: East or west.

LUKE SHANKEN: That's what the way would be, yes. And it would abut out with no gaps in between the other units around there as well.

JIM KAISER: Yeah, we're not going to file anything with you that leaves a gap.

BUTCH LAMBERT: Any further discussion?

(Off record discussion.)

BUTCH LAMBERT: My impression of this thing is that, you know, if you had all of the acreage in there and everything was blocked up solid as far as I'm concerned as you subscribe to the state spacing rules the size of the unit really wouldn't matter. The thing that bothers me about this is there is unleased acreage in that, I guess, it's a 180 that's adjacent to it. You know, it looks to me like we may...the Board may be putting ourselves in a problem here because, you know, if you're successful on your well here, you may want to come over and get into that piece with another lateral coming off of another well. What I would like to see you do is go in and just pool that

unleased acreage and then we've got a 320 acre unit and you're ready to go. Nothing is outside. Nothing is holding outside there.

RITA BARRETT: There are unleased interest within the unit that we're trying to establish. We're pursuing acquisitions on those.

BRUCE PRATHER: But you can pool them.

RITA BARRETT: Right. But what we try to do is lease out front until we establish these and...what I'm saying is we're pursuing acquisitions in here all around these and if...I mean, I guess I fail to see the difference in what you're saying versus having another unit that we established before the Board that abuts up against this and includes this here.

BILL HARRIS: I think...are you finished?

BRUCE PRATHER: Yes.

BILL HARRIS: I think the thing that maybe is confusing is that when you drew that extra section out there---

JIM KAISER: Yeah, we never should have put that in there.

LUKE SHANKEN: Yeah.

BILL HARRIS: ---and then that...we realized that was part of a 320 that isn't going to be included in this.

It would have been better probably not to have drawn that in especially since we're not aligning this...you know, what I'm saying?

LUKE SHANKEN: Yeah.

BILL HARRIS: So, that kind of confused us, these folks are left.

JIM KAISER: And it will be a whole separate unit and it will have to be either leased or pooled before we can drill it.

BILL HARRIS: Yeah.

RITA BARRETT: Right.

LUKE SHANKEN: I think the only thing that I was trying to show there is that the laterals is not even going underneath what would be if we had two 320s next to each other.

BILL HARRIS: And that northwest tip of that lateral is still within...if---

LUKE SHANKEN: Within the interior window, yes, sir.

JIM KAISER: Yeah.

BILL HARRIS: ---are 420, yeah.

JIM KAISER: You would back that to the south-east---

BILL HARRIS: So, those two 80s that I'm forcing

to be out there really aren't there as such as part of another 320 that you all aren't covered.

LUKE SHANKEN: It would be a separate 320 that would be leased or force pooled---

BILL HARRIS: That would be to the west of it, yeah.

LUKE SHANKEN: ---and made into a unit.

JIM KAISER: You know, with the 300 foot setback on the 480, if you go all the way to the unleased acreage, I mean, you're looking at over 1200 feet.

BILL HARRIS: Yeah, yeah, and it's still not...yeah, okay. Yes, I think that was the thing that we saw, wait, a minute these folks aren't included. So, I think that was the---

RITA BARRETT: There are no correlative rights issues involved in this 480 acre unit.

JIM KAISER: And because of the topography and surface issues and the---

MARY QUILLEN: This is what the unit should look like.

JIM KAISER: Yeah, should look like.

MARY QUILLEN: This is the unit.

RITA BARRETT: Right.

BILL HARRIS: Right.

MARY QUILLEN: If you establish anything outside of this, it has not been established. So---.

BILL HARRIS: Yeah, it's no different than any other where you---.

MARY QUILLEN: ---this is just an imaginary---.

LUKE SHANKEN: Yes. If you look at Exhibit FF, the page right before that, it shows the unit that we're establishing without that on there.

MARY QUILLEN: Right. So, it would actually...this would...the unit is what we're asking...what you're asking us to approve is this unit that looks like that and---?

RITA BARRETT: Yes, ma'am.

MARY QUILLEN: ---not anything to the west of it---?

RITA BARRETT: Yes, ma'am.

MARY QUILLEN: ---because nothing has been established there? So, you may---.

RITA BARRETT: That's correct.

MARY QUILLEN: ---or may not have a 320. You may have another 480, you know, depending on what your location is.

RITA BARRETT: Yes, ma'am.

MARY QUILLEN: Okay.

BILL HARRIS: Thank you.

BUTCH LAMBERT: Any further discussion?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

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

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

BUTCH LAMBERT: No. One no and one abstention.

BILL HARRIS: No nos, is that correct?

BUTCH LAMBERT: One.

BILL HARRIS: One no?

BUTCH LAMBERT: One no.

BILL HARRIS: Oh, okay.

BUTCH LAMBERT: It's approved. Thank you, Mr. Kaiser.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item is a petition from Equitable Production Company for establishment of a provisional drilling unit consisting of 235.04 acres for the drilling of horizontal coalbed methane gas wells served by well VCH-531114. This is VGOB-09-0120-2434. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, in this particular case, it will be Jim Kaiser, Rita Barrett and Taylor Vactor. Taylor has been sworn in.

TAYLOR VACTOR: No, I haven't.

BUTCH LAMBERT: No, I he hasn't.

BILL HARRIS: No.

JIM KAISER: Oh, you haven't.

SHARON PIGEON: Not today.

BUTCH LAMBERT: Not today.

JIM KAISER: I thought they all three had been.

(Taylor Vactor is duly sworn.)

JIM KAISER: Okay, now, this is an application requesting a horizontal unit be formed for purposes of a coalbed methane horizontal well as opposed to our earlier ones, which are conventional horizontal wells.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Again, Ms. Barrett, everyone been notified who has an interest in the oil, gas or coal within this unit?

A. Yes. This well is a 100% Range Resources-Pine Mountain, Inc. and they have been notified.

Q. Okay. And so it's, obviously, also under lease then, is that correct?

A. That's correct.

JIM KAISER: Okay. Nothing further for this witness at this time, Mr. Chairman. And this is---?

BUTCH LAMBERT: Any---?

JIM KAISER: Excuse me. I'm sorry.

Q. And this is a Nora well?

A. It is.

Q. It's in the Nora Coalbed Gas Field?

A. Yes, it is.

Q. Okay. Where the vertical units are 58.77 acres a piece?

A. That's correct.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

TAYLOR VACTOR

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Taylor Vactor. I'm employed by Equitable Production Company. I'm a geologist with them.

Q. And you have previously testified before the Board on both applications to establish units...horizontal units and on a request for additional wells or increased density wells in existing units?

A. That's correct.

Q. Okay. At this time, could you, in conjunction with the handout that you prepared for the Board, go through Equitable's proposal for this particular unit?

A. Yes. Starting on page AA, with an outline of the proposal. We're proposing an approximately 240 acre square unit with dimensions of 3,233 feet by 3,233 feet. That would make it diagonal of 4,572 feet. There will be a 300 foot interior window on these units as well with a 600 foot standoff for adjacent grid horizontal wellbores. You have to taken in consideration a 300 foot window. The new

dimensions with that would be 2,933 feet by 2,933 feet with a 4,147 foot diagonal. Horizontal units could overlay established 60 acre Nora CBM grids. We should be able to drill from a surface location outside the unit so long as production comes from within the interior window. This would allow for multiple wells and/or laterals for maximum drainage. In some cases, two or more wells may be able to use the same pad due to terrain restrictions. If went to BB, this is just a diagram of the dimensions that I previously testified to. On CC, this is the benefits of horizontal drilling like Luke had stated earlier, fewer issues with coal mining, less surface disturbance, more effectively extract the resource and laterals can reach into areas otherwise inaccessible by vertical wellbores. There's higher depletion rates and shorter lives to wells. This will encourage the development of the resource. On page DD, we have a blow back map showing Dickenson County with the unit that we're proposing in Duty Quad. On page EE, this is a zoomed in map shot of the unit in green and blue are the existing Equitable vertical wellbores. Surrounding those are also horizontal units. The one directly to the east and the south of that unit are already bullet proof by yourselves and the other two units are potential units that we are to pool to.

BUTCH LAMBERT: Questions from the Board?

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

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: ---your map here. On BB---

TAYLOR VACTOR: Yes,

BILL HARRIS: ---the label there at the top says, 240 acre square unit, 3733 sides and 5,280 foot diagonal. Then you show the unit with a 4572.

TAYLOR VACTOR: Yeah, that's a mistake. It should be 4572.

BILL HARRIS: 4572.

TAYLOR VACTOR: I apologize for that. Yeah, we left...this...we left this template from a conventional unit.

BILL HARRIS: Yeah, okay.

TAYLOR VACTOR: And then the...actually, the dimensions up top should also say 3233. I apologize for that. The title up top is completely off, but the diagram itself is correct.

BILL HARRIS: So, 3233?

TAYLOR VACTOR: Yes, and 4572.

BILL HARRIS: Okay, thank you.

TAYLOR VACTOR: Uh-huh.

BILL HARRIS: One other question about the well locations that you show at the...in the last page of that, which ones are horizontal?

TAYLOR VACTOR: Actually, none of those horizontal. Those are already producing vertical wells.

BILL HARRIS: I thought I heard something about a horizontal in the next unit over.

TAYLOR VACTOR: The two units to...the unit to the east...the green outline to the east and to the south of that are units that we previously had gotten establishment with you.

BILL HARRIS: For?

TAYLOR VACTOR: For horizontal drilling.

BILL HARRIS: Horizontal?

TAYLOR VACTOR: Yes.

BRUCE PRATHER: Have you drilled the wells?

TAYLOR VACTOR: What's that?

BRUCE PRATHER: Have you drilled the wells yet?

TAYLOR VACTOR: No, we have not drilled those wells yet.

BILL HARRIS: Okay, thank you.

BUTCH LAMBERT: Any other questions from the Board?

DAVID ASBURY: Mr. Chairman, for our tracking

purposes we're, again, going to use this as EPC2434.

JIM KAISER: It would VCH...instead of VH.

DAVID ASBURY: Okay.

JIM KAISER: On the coalbed.

TAYLOR VACTOR: And we'll revise Exhibit BB and send you guys the correct version of that.

BUTCH LAMBERT: Any other questions?

(No audible response.)

JIM KAISER: Mr. Chairman, we'd ask that the application be approved with the revisions to the handout.

BUTCH LAMBERT: Is there a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item is a petition from Equitable Production Company for a modification of the Nora Coalbed Gas Field to allow for drilling an additional well in unit BK-80. This is docket number VGOB-89-0126-0009-45. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, again, Jim Kaiser, Rita Barrett and Taylor Vactor.

BUTCH LAMBERT: Seeing no others, Mr. Kaiser, you may proceed.

JIM KAISER: Okay, Ms. Barrett, this is a...what we call an application for an increased density well or a second well within an approval of the Board to drill a second well within a Nora CBM unit.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Would it be your testimony that a 100% of the unit here again is owned by Range Resources-Pine Mountain?

A. That's correct. It's a 100% leased.

Q. And this additional well...this increased density well will be located outside the interior window, is

that correct?

A. That's correct. But there are no corrective rights issues associated.

Q. And you've prepared a plat showing that?

A. I have.

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

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

TAYLOR VACTOR

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Vactor, you would...in conjunction, again, with the handouts that you prepared for this hearing, if you would go through our plan for this particular unit and also the ongoing, I'm going to say, success of this increased density drilling and why we want to continue to do it.

A. Certainly. Starting on page AA, another map shot of Dickenson County. Then in grey, we have the previously approved increased density grids that we've gotten prior to today. The green unit on the edge of

Dickenson County is the unit that we...or the grid that we're establishing today for increased density. On page BB, we have a summary of drilling through the end of December of 2008. As you can see for the totals down at the bottom there, we have drilled 78 increased density wells to date. Cumulative production was 2,062 million cubic feet. The current rate from those increased density wells is 4.4 million cubic feet a day. On page CC, this is just a different way to look at production, a graph of the gas rate. The blue curve is the production from the original wells. The red curve is the production from the increased density well once we drill that second well in the unit. You're getting that incremental production from that grid.

Q. So, the difference between the blue line and the red line is the incremental production?

A. That is correct. And on page DD, this is just a zoomed in map shot of the grid that we're trying to establish for increased density drilling. Again, in the grey is the previously approved grids. The blue wells are existing EPC vertical wells.

Q. Which this well is too?

A. Yes.

Q. And so would it be your testimony that based upon the increased density program to date that

Equitable thinks the additional capital that they're expending is more than worth it based upon the incremental production and that this incremental production...in other words, getting more gas out of the ground no only benefits Equitable, it benefits the royalty owner and the local county in the form of severance taxes?

A. That is correct. Looking at the data we've gotten from the gas rates and all of that, I would agree with that very much so.

JIM KAISER: That's all I have of this witness at this time, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: I hate to be that one...let me ask just a quick question. That group of grey units that's around the one that you're asking about---?

TAYLOR VACTOR: Yes.

BILL HARRIS: ---now I know we've approved increased density, have you all drilled increased density in any of those?

TAYLOR VACTOR: In any of those, I believe so. Oh, we haven't? No, we have not in those.

BILL HARRIS: Okay. I just---

TAYLOR VACTOR: Yeah, all of these units we have not drilled in all of the previously approved units.

BILL HARRIS: I was just curious when you were giving the drilling summary if that area were any different than an area further east...further west of that or whatever. So, that---.

TAYLOR VACTOR: Okay.

BILL HARRIS: ---was the only question.

JIM KAISER: Would you have any question to believe, based upon geology and the signs and what you have drilled, that there would be any difference in incremental production in that area of the field in say to the west where you apparently already some?

TAYLOR VACTOR: There might be slight differences, but I couldn't say offhand.

JIM KAISER: Mr. Shanken.

LUKE SHANKEN: Based...based off the quality of the wells, we see original wells here, I would expect these to be just as good as what the data showed me already, yes.

BILL HARRIS: Thank you.

BUTCH LAMBERT: So, where did you based your data in your chart on CC?

TAYLOR VACTOR: Those are mostly based off of the wells in Middle Fork, Lambert Land in the Lick Creek areas. There's also a few in Sally Branch.

JIM KAISER: But, again, your...the science that

you go through to determine where to seek these increased density wells is in large part based upon how good the first well was and, obviously, you found the first wells in these units to establish to be good enough to seek permissions to drill a second well, would that be correct?

TAYLOR VACTOR: Yeah, that's true.

BUTCH LAMBERT: Let me draw your attention to BB. Just for informational purposes, how come the large drop between 2007 and 2008 and none of the wells drilled?

TAYLOR VACTOR: I'm sorry, could you repeat that?

BUTCH LAMBERT: On Exhibit BB, on your handout between 2007 and 2008, how come there was such a large drop in---

TAYLOR VACTOR: We had issues with getting coal approval.

BUTCH LAMBERT: With getting...I'm sorry, getting what?

TAYLOR VACTOR: Getting coal approval.

BUTCH LAMBERT: Coal, okay.

TAYLOR VACTOR: And so our numbers drop.

BUTCH LAMBERT: Okay. Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Are there any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item is a petition from Equitable Production Company for a disbursement of funds from escrow and authorization for direct payment of the royalties on Tract 3, well VC-505247. This is docket number VGOB-03-0415-1145-02. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: Seeing no others, you may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, did we file this application on behalf of a number of respondents in Tract 3 and Range Resources-Pine Mountain because they have reached an agreement as to a permanent split of any royalty for proceeds attributable to this particular tract within this particular unit?

A. We did.

Q. And has everybody been notified as required by statute?

A. They have.

Q. And did we prepare for the Board that has just been passed out a spreadsheet depicting what has been paid into Wachovia and what Equitable has on their books and what the actual split should be?

A. Yes.

Q. Okay. And in your opinion, does it represent a reasonable representation of what this should be?

A. It does.

Q. I didn't keep a copy for myself. Would it be your testimony that the funds should be disbursed in

accordance with on a going forward basis in accordance with the column entitled owner's percentage in escrow?

A. That's correct.

Q. And would you ask the Board upon approval of this application to disburse in the manner depicted any existing money in escrow to these folks and on a going forward basis to disburse directly to them?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: It's better on the handout for Tract...well, it's not the Tract. It's one of the headings over total amount in escrow 8/30/08. Do you have anything... is that your last accounting that you have?

RITA BARRETT: It is.

BUTCH LAMBERT: So, would there be anything after that date?

RITA BARRETT: There would be. The moneys released would be...we have a...if you see the last column dated January the 31st, 2008, that's the last amount that we have.

BUTCH LAMBERT: 1/31/08.

JIM KAISER: That's almost a year ago. Why is that?

RITA BARRETT: Yeah, I don't...I don't know why this is a year old. I apologize. I mean, obviously, there would be more in escrow after a year has gone by. So, it would...the payment would be retroactive back to the turn on line date of the well. I'm not sure where these numbers came from.

JIM KAISER: Yeah, again, the key is the percentage and that's what you'll use to disburse on and whatever money is in there they'll get that percentage of it and going forward they will be paid in accordance.

SHARON PIGEON: Well, we understand that, Mr. Kaiser, but, you know, when we're talking about paying out people's money we really like to have the most recent figures available.

RITA BARRETT: I agree with that.

JIM KAISER: Well, for some reason, that may be the most recent figures we've got. Maybe it has been...maybe the well hasn't been on line for the last year. I don't know.

MARY QUILLEN: I had one question. For the very person, Mark Stanley, it shows a 15%, but the net interest is the same as all of the other folks that are at 16%. Is

that just a---?

RITA BARRETT: I think that's somebody's bad math.

MARY QUILLEN: And the amount...actual owner's amount that's in escrow is all exactly the same. It's just that percentage. So, 1% would make a difference.

SHARON PIGEON: Range-Resource on the bottom is not---.

MARY QUILLEN: The bottom one is...well, except for the bottom one, which is 20. But this other one is...this one is 15. But all of these that are 16% and that same amount of interest is exactly the same on all of those except the last one. But all of these others are 16%.

JIM KAISER: I mean, if you all are troubled by this, I don't have any problem in continuing it and getting some better information from the Pittsburgh Office and bringing it back.

BRUCE PRATHER: The money is the same too.

RITA BARRETT: I think we need to do that. We need to get Pittsburgh to update this information.

BRUCE PRATHER: The money is the same too.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: This is not necessarily an Equitable problem, but also for disbursement it would help

our office greatly if we had current W-9s when you come before the Board and ask for disbursements. In our concentration and efforts to try to get disbursements, we found that our hold up in the disbursements from our office a lot of times is the W-9 form that we either don't have or they're not current. If there's ten people to be disbursed and one of those for some reason a W-9 return...not current, then that's holding up everybody's money. So, if the Board would and our gas operators when they came for a disbursement bring the W-9s for those requesting to be disbursed, that would be helpful and timely and allow us to get our disbursements out. And, again, this is not just an Equitable issue. This is a issue with all of the gas operators.

BUTCH LAMBERT: It's continued until February. I think we're going to go ahead and break for lunch at this point. Are there any folks here for public comments?

(One person raises their hand.)

BUTCH LAMBERT: One. If there's only one for public comment, we may hear you directly after lunch, Ms. Jewell, so you won't have to stay for the entire...okay, we're going to break for lunch. Be back at 1:00 o'clock, please.

(Lunch.)

BUTCH LAMBERT: We're going to skip ahead in the agenda and go to public comments. Those wishing to provide comments, please come forward and state your name for the record.

CATHERINE JEWELL: Catherine Jewell. What this is is a comparison of...it's a retrospective study from a gas well that came into production in January of 1999. The individual on this well was pooled. It was an Equitable well. I had gotten the production figures up to October, 2008, then back calculated using Dominion price what the revenue would be and then I took out 90 cents per mmbtu to show what the...to reflect the alleged reasonable deductions. So, if you work down through this force...what this will show you is if this guy he's force pooled. He has his options. If he makes his election, what would have been the outcome if he had made this election back then. So, it's retrospective because the date is already there. We're just saying that he made the election. So, you have a guy that has a 6 acre...excuse me, had a 6 acre tract in a 60 acre Nora Field. Typical costs of a coalbed methane well in 1999 was \$220,000. In this case, the gas owner has 6 acres or 10% in the pooled unit. With the current Board pooling order, if he had elected to participate in that he would have provided \$22,000 up front and would have

gotten...received eight-eighths of his 10%. So, he would receive the whole full of this 10%, okay. So, if he had done this over the course of this nine years and ten months, he would have received \$74,293 and that takes into account the \$22,000, which he has paid back. So that would be his net, okay. Now, if he came in as a non-carried...if he came in as a non-participating operator on a carried basis he would have to wait until the unit operator recovered 200% of the cost of the well and that's profit. So, in other words, to calculate that 200% you would have to go back and determine minus the 90 cents on each...whatever they're saying their reasonable costs is to get to that point. So, when we do that, we see that he comes in at forty-five months the wells pays out. This is actually a fairly low producing...this is sort of a below par well. On that 71...71 months, which is 200%, okay. So, he can come in. So, for the first seventy-one month he receives nothing. Okay, after that he receives eight-eighths of this share. So, he receives a full 10%. So, when we look at what he would have made had he made this decision back there in 1999, he would have received \$52,398 over that...course of that time. And on the last page, you can pretty much follow this. It's sort of summarized in the options there. It says, royalties and...I mean, non-participant, total revenue

of the well. So, you can follow what I'm talking about here. Okay, if he opted for a cash bonus under the current pooling orders he would have been allowed a royalty of 12.5% of this share...of his 10% share minus reasonable post production costs, okay. So, if we subtract that 90 cents we see that he would have earned a gross of \$12,171 over the nine years and ten months. You can compare that to if he came in as a carried interest, which is \$52,398. Now, if he fails to make an election he has deemed to have leased. He goes right back to number three, okay. He receives a cash bonus. In some cases he actually does receive the cash bonus because they do put it in the escrow account. But he'll receive the same amount. If he's unknown or they can't locate him, they put the money in escrow, but it's the same options. If his property was force pooled under a 1992 order or before we had these changes, if he participated it would almost be the same but there were provision in there as to, you know, what...in other words, the costs for that actual well would be charged to him, his proportional share. It wouldn't be all wells that this company owns proportionally out, okay. And his post...what's being called post production costs would be per that well, okay. So, that is what it would be in...before '92. There is no reasonable supervision fee. All of that stuff was added in

'92. That's with our current stuff. So, chances are he would have received \$74,293 or maybe the same. But he would also receive in both cases, substantial tax deductions on his initial investment and incentives for his share of his monthly production costs. So, you know, in addition to that he's getting that if he participates. If he carries back in '9...before '92 before the change, not all of the stuff that was a total...on the total costs, you know, where you send in the \$22,000, this is the total costs, not all of that pertains to the 200% carried interest because some of the stuff on there is actually related to the cost of the surface and beyond. If you look through that, you will see what I'm talking about. So, you could actually go through and break down. He would only be charged...he would only have to wait until 200% of his share of the cost of drilling and completing the costs and 100% of the carried interest of the share of the cost of the surface equipment, okay, and beyond. So, it would just be...he would get a greater share. In other words, in '92 he would have come back...under the '92 pooling order he would come back on the well earlier, okay, maybe instead of waiting forty-five months he might have gotten back in there at thirty-seven, okay. Also, in '92 there was a lot of wordiage or verbiage as far as what was...what the operator had to furnish.

Complete inventories of what...you know, the cost of the equipment, monthly provided itemized statements of all of the costs and liabilities, complete assessment of costs, these were all supposed to be provided to the State Oil and Gas Inspector. Also, it specifically stated that this...any equipment that was owned that wasn't used he would get his portion of the proceeds of that sale in both carried and participating. So, he would have just about...because I can't figure that out, but he would receive \$52,398 plus because it would depend on where he comes in on those payments. Now, to receive a cash bonus back in '92, he would have received \$5 mineral acre. The same stuff we have now. 12.5% of the 10% he owns. Free and clear of all costs, okay. So, if he had the pooling order in 1992, it would have been \$14,363 versus the \$12,171 that he gets now. Now, if he failed to make a timely election he's deemed to have leased these property, but he doesn't come at paying one-eighth. He comes in as a carried interest. And his carried interest would be just like the carried interest before. So, if he doesn't make an election, he's a carried interest. You find that in every state that I've looked at, but I haven't looked at all of the states. That's the way it's treated as a carried interest. Okay, so he gets a carried interest. Now, all of this unknown/unlocated. All

of this was escrowed depending on where it would be escrowed. If this property was located in Alabama, okay, we can take the nine yards and we're just going to put it right down there in Alabama. Everything is the same. What would happen in Alabama is that if he was force pooled under risk compensation, he would receive three-sixteenths royalty, okay. Three-sixteenths royalty free from costs until the well paid out. If we look at the sheet here, we can see Alabama force pooling and we'll see that the well pays out I think it was forty-five months. But his total would be \$79,964. If he was subjected to Alabama force poolings with risk compensation, which means that they tried to get everybody and you're the little hold out guy, they can take advantage of that and they can knock that up to 250%. So, he comes in, he gets a royalty every month of three-sixteenths free of costs. When the well makes 250% of what the initial investments of that well was, he backs into it and starts operating as a carried interest. So, under that, he would get \$62,714. So, you can see on the last page here, this has got more information here, but you can see on the last page the comparison of what we get today, what we would have gotten in 19...before these rules were changed and what we would have gotten if we were lucky enough and fortunate enough to have our land that was being pooled in

Alabama, but we're not. So, anyway, thank you.

BUTCH LAMBERT: Thank you, Ms. Jewell.

DAVID ASBURY: Mr. Chairman, just for notes, we'll make this Exhibit PC1 and PC2, if that's okay, for the testimony.

SHARON PIGEON: Well, that wasn't testimony under oath. You don't need any exhibits.

BUTCH LAMBERT: Are there any others for public comment?

(No audible response.)

BUTCH LAMBERT: The next docket item is a petition from Appalachian Energy for pooling of coalbed methane unit AE-229. This is unit F-32, docket number VGOB-09-0120-2435. All parties wishing to testify, please come forward.

(Justin Phillips and Frank Henderson are duly sworn.)

TOM MULLINS: Mr. Chairman, I'm Tom Mullins, I represent GeoMet. We have a competing application on the docket. It's docket number thirty-eight. At this time, we'd like to withdraw that petition to that application.

BUTCH LAMBERT: It will be withdrawn.

TOM MULLINS: All right, sir. I don't want to interfere with your progress. I have some others that I would ask for a continuance. I can wait and inform you of

those---

BUTCH LAMBERT: If Mr. Kaiser is okay with it, we'll let you do that.

TOM MULLINS: Okay. They're docket item number thirty-nine, forty, forty-one, forty-two and forty-three. They are also competing applications with Appalachian. I think he may have already moved to continue the other items on behalf of Appalachian.

BUTCH LAMBERT: So, again, that was thirty-eight through---

TOM MULLINS: Thirty-nine, forty, forty-one, forty-two and forty-three.

BUTCH LAMBERT: Okay.

BRUCE PRATHER: Are those withdrawn?

MARY QUILLEN: Withdrawn.

TOM MULLINS: No, they're not withdrawn. They're continued.

BUTCH LAMBERT: Continued until February?

JIM KAISER: They're competing applications to the five that I continued earlier.

BUTCH LAMBERT: Okay. Continued until February.

MARY QUILLEN: That was thirty-nine, forty, forty-one and forty-two?

TOM MULLINS: Thirty-nine through forty-three

inclusive.

BUTCH LAMBERT: Mr. Kaiser, let me read those into the record before you proceed.

JIM KAISER: Sure.

BUTCH LAMBERT: A petition for GeoMet Operating Company, Inc. for pooling of coalbed methane unit F-32, well Rogers 524. This is docket number VGOB-09-0120-2448 will be continued until February. A petition for GeoMet Operating Company, Inc. for the pooling of coalbed methane until F-33, well Rogers 416, docket number VGOB-09-0120-2449, continued until February. Did I read that wrong?

TOM MULLINS: 2448 is the one that's withdrawn.

BUTCH LAMBERT: Withdrawn, okay.

TOM MULLINS: 2449, 2450, 2451 and 2452 and 2453 are a request for a continuance.

BUTCH LAMBERT: Okay. So, that's a petition for GeoMet Operating Company, Inc. for the pooling of coalbed methane unit F-34, well Rogers 417, docket number VGOB-09-0120-2450, continued until February. A petition for GeoMet Operating Company, Inc. for the pooling of coalbed methane unit F-35, well Rogers 418, docket number VGOB-09-0120-2451, continued until February. A petition for GeoMet Operating Company, Inc. for the pooling of coalbed methane unit F-36, well Rogers 419, docket number VGOB-09-0120-2452, continued

until February. A petition from GeoMet Operating Company for the pooling of coalbed methane unit F-37, well Rogers 420. This is docket number VGOB-09-0120-2453, continued until February. Okay, now, we're back to a petition from Appalachian Energy, Inc. for the pooling of coalbed methane unit AE-229, docket number VGOB-09-0120-2435. The witnesses has been sworn. Mr. Kaiser, seeing no others, you may proceed.

JIM KAISER: All right, we'll start with Justin Phillips.

JUSTIN PHILLIPS

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Justin Phillips, land manager, Appalachian Energy, Inc.

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

A. Yes, they do.

Q. Are you familiar with Appalachian's Energy,

Inc.'s application seeking to pool any unleased interest in the unit for the unit F-32 for well number AE-229 dated December the 19th, 2008?

A. Yes, I am.

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

A. Yes, we do.

Q. Prior to the filing of the application, did you make an attempt to contact each of the respondents owning an interest and make an attempt to work out a voluntary agreement with each?

A. Yes, we did.

Q. What is the interest of the under lease to Appalachian Energy in the gas estate within this unit?

A. 23.18% of the gas.

Q. And what percentage of the coal is under lease to Appalachian Energy?

A. 76.82%.

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

A. Yes, they are.

Q. Let's go back to that percentage of the coal leased. I don't think that's right. I think that's what's leased.

A. Oh, 55.36%, yes.

Q. Yeah, actually, the percentage of the coal estate that's under lease is 55.36%?

A. I was on the unleased. I apologize.

Q. That's okay. So, that means remaining unleased...and all unleased parties are set out at Exhibit B-3 to the application?

A. That's correct.

Q. So, the remaining unleased would be 76.82% of the gas estate, correct?

A. That's correct.

Q. And 44.64% of the coal estate?

A. That's correct.

Q. Okay. This particular unit does contain an unknown and unlocateable?

A. Brenda Owens, I believe.

Q. Uh-huh. Were reasonable---?

A. (Inaudible).

Q. Did you make reasonable and diligent efforts to identify and locate this unknown entity 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, we did.

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

A. Yes.

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

A. Yes, they are.

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

A. Yes, we are.

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

A. Yes, I am.

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

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

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

A. Yes.

Q. Now, as to those respondents who have not

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

A. Yes.

Q. Do you recommend that the order provide that elections by the respondent be in writing and sent to the applicant at Appalachian Energy, Inc., P. O. Box 2406, Abingdon, Virginia 24212-2406, Attention: Justin Phillips?

A. Yes.

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

A. Yes, it should.

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

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Does the party...let's skip that one. We've already answered that. Should the applicant be allowed a 120 days following the recordation date of the Board order and thereafter annually on that date until production is achieved to pay or tender any cash bonus or delay rental becoming due under the force pooling order?

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate but fails to pay their proportionate share of well costs, then that election to participate should be treated as having been withdrawn and void and the respondent should be treated just as if no initial election had been made, in other words, deemed to have leased?

A. Yes.

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

A. Yes.

Q. The Board does need to establish an escrow account for this unit?

A. They do because of Ms. Brown.

Q. And including in that would be proceeds attributable to...actually, it's conflicting claims too? So...is it?

A. These are exclusive CBM leases.

JIM KAISER: Yeah, we need to...we're going to

have to send you a correct Exhibit E. It should...the only tract that should be subjected to escrow, Ms. Pigeon, would tract...any proceeds attributable to Tract 4. We'll revise that E for you.

SHARON PIGEON: And that's only because of unknown and unlocateable and not conflicting---.

JIM KAISER: Exactly.

JUSTIN PHILLIPS: And unlocateable, yes.

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, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

FRANK HENDERSON

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Frank Henderson, Appalachian Energy,  
President.

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

A. 1282 feet.

Q. Estimated reserves over the life of the  
unit?

A. 250 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?

A. Yes, it has.

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

A. Yes.

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

A. Dry hole costs of \$126,687 and completed  
well costs \$359,491.

Q. Do these costs anticipate a multiple  
completion?

A. Yes.

Q. In your professional opinion, would the

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve with the revised Exhibit E.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's

approved. The next item on the agenda is a petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-201. This is docket number VGOB-09-0120-2436. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: Seeing no others, Mr. Kaiser, you may proceed.

JUSTIN PHILLIPS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Phillips, are you familiar with the application that we filed seeking to pool any unleased interest in this unit, being E-38?

A. Yes, I am.

Q. Does Appalachian Energy own drilling rights in this unit?

A. Yes, we do.

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

A. Yes.

Q. What is the interest under lease to Appalachian Energy in the gas estate in this unit?

A. .13%.

Q. .13% in the interest under lease to Equitable...I mean, to Appalachian in the coal estate in this unit?

A. 80.30%.

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

A. Yes, they are.

Q. So, that means 99.87% of the gas estate remains unleased and 19.70% of the coal estate remains unleased?

A. That is correct.

Q. And there are no unknowns or unlocateables?

A. Not on this location...or this application rather.

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

A. Yes, we are.

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

A. Yes, I am.

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

A. A five dollar bonus for 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 fair and reasonable compensation to be paid for drilling rights in this unit?

A. Yes, I do.

JIM KAISER: At this time, Mr. Chairman, I'd ask that with your permission and my client's agreement that we incorporate the testimony just taken in item...docket number 2435 regarding the election options afforded unleased parties and their different time lines and guidelines in which to make those.

BUTCH LAMBERT: Do you agree?

JUSTIN PHILLIPS: Yes.

BUTCH LAMBERT: Anything further?

JIM KAISER: Yeah.

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

A. No.

Q. ---is that correct?

A. That's correct.

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

A. Appalachian Energy, Inc.

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

BUTCH LAMBERT: Questions from the Board?

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---one question. I guess, Mr. Henderson, may be the one to answer it. What is this Tazewell Coal and Iron? Is that an operating company that owns this mineral? Is it---

JUSTIN PHILLIPS: The property owner.

MARY QUILLEN: Property owners.

JUSTIN PHILLIPS: It's a fee tract. They own the surface and the minerals.

MARY QUILLEN: Okay.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

FRANK HENDERSON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. 1,563 feet.

Q. Estimated reserves over the life of the unit?

A. 250 million cubic feet.

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

A. Yes, it has.

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

A. Yes, it does.

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

A. The dry hole costs of \$140,886. The completed well costs of \$394,223.

Q. Do these costs anticipate a multiple completion?

A. Yes, they do.

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

correlative rights?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion?

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item is a petition from

Appalachian Energy, Inc. for pooling of coalbed methane unit AE-205. This is docket number VGOB-09-0120-2438. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: Seeing no others, Mr. Kaiser, you may proceed.

JUSTIN PHILLIPS

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Phillips, are you familiar with the application that we filed seeking to pool any unleased interest in what we're calling unit number G-38?

A. Yes, I am.

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

A. Yes, we do.

Q. Again, 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. Yes.

Q. And what is the interest of Appalachian

Energy in the gas estate that's under lease in the unit at this time?

A. 42.14%.

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

A. 87.59%.

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

A. Yes, they are.

Q. So, that leaves 57.86% of the gas estate unleased?

A. Yes.

Q. And 12.41% of the coal estate unleased?

A. That's correct.

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

A. No, we do not.

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

A. Yes, we are.

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

A. Yes, I am.

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

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

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

A. Yes, I do.

JIM KAISER: Again, Mr. Chairman, with your permission and my client's agreement, we'd like to incorporate the statutory election option testimony taken in item 2435 earlier.

BUTCH LAMBERT: Do you agree?

JUSTIN PHILLIPS: I do.

JIM KAISER: Ms. Pigeon, we have needlessly filed an Exhibit E for this unit.

Q. Would it be your testimony, Mr. Phillips, that there is...the Board does not need to establish an escrow account for this unit because we do not have any unknown or unlocateables and we do not have any conflicting claims?

A. That's true. We don't need the escrow account.

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

A. Appalachian Energy.

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

BUTCH LAMBERT: Any questions from the Board?

BILL HARRIS: Mr. Chairman, does that mean that we ignore---?

JUSTIN PHILLIPS: Just trash Exhibit E.

JIM KAISER: Mark through it if you would.

SHARON PIGEON: So, you're withdrawing it since we won't need it?

JIM KAISER: Yeah.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

FRANK HENDERSON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. 2,084 feet.

Q. The estimated reserves for the unit?

A. 250 million.

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

A. Yes.

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

A. Yes, it does.

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

A. \$147,783 and completed well costs of \$405,142.

Q. Do these costs anticipate a multiple completion?

A. Yes, 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.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Any further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved as submitted with the exception of Exhibit E, yeah. If you'd just excise Exhibit E.

BUTCH LAMBERT: Do I have a motion?

PEGGY BARBAR: Motion to approve.

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: It's approved. Thank you, Mr. Kaiser. The next item is a petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit consisting of 320 acres for the drilling of horizontal conventional gas wells served by wells 530148. This is docket number VGOB-09-0120-2444. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser, Phil Horn and Gus Janson on the part of Range Resources-Pine Mountain

Oil and Gas.

(Phil Horn and Gus Janson are duly sworn.)

BUTCH LAMBERT: Seeing no others, Mr. Kaiser, you may proceed.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Horn, 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 your job responsibilities include the unit that we're establishing here?

A. Yes, it does.

Q. And would it be your testimony that all coal, oil and gas owner's as required by statute have been notified of this application?

A. That's correct.

Q. And that notice was by certified mail, return receipt requested?

A. That's correct.

Q. Okay. And I don't think we have any...we didn't have publish, did we?

A. No.

Q. I don't think we have any unknowns.

A. No, we don't.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

GUS JANSON

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Gus, if you would state your name for the record and who you're employed by?

A. Gus Janson, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. And you've testified as to unit establishments before the Gas and Oil Board on numerous other occasions?

A. That's correct.

Q. And would you kind of outline our proposal...Range's proposal for this unit in conjunction

with the handout that you provided?

A. Yes. If the Board will refer to the handout, on Exhibit AA, you'll see the existing units that have been approved in the past by the Board that are outlined in green and have the four digit docket number applied to those. You can also see the unit range 2444 identified right in between two existing units that basically abuts up right in there...by a process that we've been using for establishing the units. Exhibit BB is again a schematic showing the layout of the unit, 320 acre square unit, with the dimensions of 3,733 feet with a lateral of 4,431 feet. Exhibit CC it goes over some of the criteria here. So, again, the 320 acre square unit with a 300 foot interior window with, again, a 600 foot standoff from the adjacent horizontal wellbores. A 600 foot distance between any horizontal wellbore and any vertical well producing from the same horizon in those cases. These units will allow for the multiple wells and/or laterals to maximize the drainage from any conventional formation we choose to target. You'd also be able to drill the surface location inside or outside the unit as long as production is again within the interior window. Exhibit DD is a typical horizontal well plan showing basically the various casing streams that would be utilized in the horizontal drilling. Again, we would meet

the same standards, the vertical wells, for our water protection stream and the coal protection stream and any casing that may be needed for this well. The final exhibit is Exhibit EE, which is the benefits of the horizontal drilling. Again, benefitting the working interest owners, the royalty owners and the county by maximizing production and promote the conservation of the gas resource and prevent waste by effectively extracting the resource. These laterals can be drilled underneath areas otherwise inaccessible from the surface. You have less potential impact on the coal and less potential impact on the surface disturbance. Again, we have no stranded acreage between any of our units that we're establishing.

Q. So, would it be your testimony that the proposed establishment of this unit and the development of this unit would be consistent with all the other horizontal units that we've established over the last year or so?

A. That's correct.

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

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: Let me just ask you about production

from the horizontal units that you've already drilled. Does that show promise? I mean, you know---.

GUS JANSON: Yes, sir, I think, Mr. Harris, you weren't at the last Board hearing---

BILL HARRIS: No.

GUS JANSON: ---and we gave an update at the last one, I think. We are...last year we completed ten wells. We drilled ten wells last year. Not all of those are completed as of today, but the majority of them are. We are seeing positive results at this point and we'll continue our program and plan to build an additional 20 this year to continue looking at offsetting areas and other formations and continue looking.

BILL HARRIS: Thank you.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue.

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BUTCH LAMBERT: I have a motion and a second. Any

further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's approved. The next item is a petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit consisting of 320 acres for the drilling of a horizontal conventional well served by well 530149, docket number VGOB-09-0120-2445. All parties wishing to testify, please come forward.

JIM KAISER: Jim Kaiser, Phil Horn and Gus Janson, again, for Pine...Range Resources-Pine Mountain.

BUTCH LAMBERT: Seeing no others, you may proceed, Mr. Kaiser.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Horn, would it be your testimony that each of the oil, gas and coal owners in the proposed units

for...that we're attempting to establish here that received notice by certified mail, return receipt requested?

A. Yes, it is.

Q. And, again, we did not identify any unknown or unlocateable interest owners within this unit?

A. That's correct.

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

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

GUS JANSON

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Janson, I guess, with the Board's permission, you can incorporate your testimony from the hearing that we just had and then maybe note anything that's different in your handout for this proposed unit or in anything that you think may be significant?

A. Yeah, I think everything---

BUTCH LAMBERT: Are you going to use the same exhibits?

GUS JANSON: Do the same exhibits, yes, sir. The

only other thing that's going to be...Exhibit AA does identify the location of the Range 2445 proposed unit and it's offsetting unit of 2033. They were both identified on the same exhibit. Just giving you the geographic location of those. Again, they---

BUTCH LAMBERT: You're speaking from Exhibit AA?

GUS JANSON: Correct.

BUTCH LAMBERT: Okay. We'll accept it.

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

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All approved, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. It's

approved.

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item is a "Miscellaneous Petition" filed by Kyle Robinson for a full account of his previous escrow disbursement from CNX, docket number VGOB-09-0120-2446. All parties wishing to testify, please come forward. All parties, please state your name for the record.

KYLE ROBINSON: My name is Kyle Robinson.

MARK SWARTZ: Mark Swartz for CNX.

BUTCH LAMBERT: Mr. Robinson, you may proceed.

KYLE ROBINSON: Well, I'm here to ask for a full accounting of my escrow funds that has already been disbursed. It's very simple. I've been asking for some kind of accounting and I've not received it.

BUTCH LAMBERT: And, Mr. Robinson, we have...I think the Board has in front of them a copy of a docket that you forwarded to us. Do you have that with you?

KYLE ROBINSON: Yeah, I do.

BUTCH LAMBERT: Would you mind going through that and explaining those items to us so the Board is familiar with it?

KYLE ROBINSON: I'd like to know how the total paid from escrow, how did they arrive at it? How do they

arrive at the \$37,028.84?

KYLE ROBINSON: Okay, Mr. Swartz, I guess you're representing CNX. Would you like to answer that?

MARK SWARTZ: Well, I have two observations to begin with before we get to the facts. There was a disbursement order entered following a Board hearing. That order was entered August the 16th, 2005. It provided that he would be paid his interest and his total interest in that escrow account. The time to appear that order ran thirty days after August the 16th, 2005. I mean, we're four years down the road with a final order that was never appealed. So, I guess, my first observation would be he had his day in front of the Board. There was testimony, and I brought the transcript with me. He was represented by an attorney. Anita testified as disclosed by the record to her calculations. His lawyer was asked if that amount worked. They took the money, you know, four years ago. So, I think it's a final order that is not...that disbursement order is a final order that's not subjected to modifications at this point. We had a hearing and it's the end of the day. The second point that I would make just as a preliminary observation, you know, when you read Mr. Robinson's letter, you know, we were here I'm thinking it was sometime in the last year and he was represented by Mr. Glubiack at that

time. If you look at number eleven, he's talking about...he's contending that his tract is actually 10.72 acres and not 8.31 acres. It's sort of related to eight on the first page. We had a hearing on that. They presented testimony. They presented maps. The Board elected not to do anything with regard to that tract on an ongoing basis. So, we've had a hearing on that. But the bigger problem is if you're seeking to modify a Board order to increase acreage in the unit, you need to notify everybody in the unit. Who's he taking that acreage from? You know, he's notified the Division and my client. You know, he's got the same obligations that everybody has under 361.19. He needs to notify everybody in that unit. He needs to notify the other people that got...that got escrow disbursements when he did. He needs to notify the people who still had escrow money in there. I mean, we've got a final order to the extent that you can do anything on an going forward basis. There's no notice.

SHARON PIGEON: Do you have the VGOB numbers on any of this?

MARK SWARTZ: Yes. Actually, I'll just hand this to you, but I'd like it back. It's 93-0216-0330-03. This is the disbursement order following the hearing on the disbursement. I've also got...I also brought with me,

although we had multiple hearings just locating one of them, a portion of the...it looks like I don't have quite enough.

BUTCH LAMBERT: Here I'll share.

MARK SWARTZ: Okay, great, if you guys could share. Sorry. But we had a disbursement hearing and the order that the Chairman has in his hand was ultimately entered after that hearing. I just brought you a portion of the transcript. But if you look at the first page that I gave you. Benny calls the docket to disburse funds. Then if you go to the second page that I gave you, Anita was sworn. I asked her if she had looked into the accounting records with regards to this tract. She answered, "Yes." I asked her what she considered. She said, all of the deposits and the interest, and I came to the conclusion that the account was balanced. She was talking about it's Tract 8 8.31 acres, total acres escrowed is this and then she...obviously, when we do disbursements she had a percentage. She continues to testify. At the bottom of the third or fourth unnumbered page, I said to her, "And since this is not a split agreement, we have no suggestions to the Board in terms of how it's to be disbursed because it was actually a Court order." Her answer was, "Right, we don't." Then, Mr. Glubiack starts talks at...toward the bottom of that page and tells the Board that the order that was

entered, which is somewhere was something that he had had a hand in drafting. He goes on, the next page, this is Mr. Robinson's attorney, "Consol has given you what they think the funds are. I agree. I understand that the only accurate way to do is to recommend a 23.1993% be disbursed of whatever is attributable to that unit." If you'll notice, that the order that was entered did that. Benny says, "Are there any questions from members of the Board?" Mr. Brent, who was a Board member said, "Mr. Glubiack, are you in agreement with the testimony that you heard from Ms. Duty?" This was his response, "Mr. Brent, I have absolutely no way of knowing. I understand their testimony is the accounts balance. I had questions about that. I'm certainly not adopting that as the gossip. That's all we have. We'll take it. I'm not waiving any rights. I have no idea whether it's right or not, but that's all we have now. I assume with their accounting, it's correct. I, like you, receive these numbers the morning of the hearing. I don't have any idea." We go on and the Board approves the disbursement. This was back in April of '05. The order was entered in August. The percentage that was accepted in the testimony was disbursed. The order represents that in accordance with the statute they're disbursed saying the deposits plus interest minus fees. You know, this

disbursement for money paid into that account before August of '05 was made. It was \$37,000. They had they're day in Court on the acreage. They had they're day in Court on whether or not there was enough interest, too little interest, what it was. I mean, it's a final order and it's done. With regard to the size of the tract, which still continues to be an argument, we didn't have the other people on this unit because he's seeking to affect...he's seeking to increase his stake in the unit. So, on the one hand, I feel like we've got a final order and on the other hand if he wants to revisit the acreage issue he needs to notice the other people in the unit and that didn't happen.

KYLE ROBINSON: I'm not here for that today.

BUTCH LAMBERT: I was going to ask you, Mr. Robinson.

KYLE ROBINSON: He's going around in a circle.

BUTCH LAMBERT: Let me ask you one question. Are you here to appeal that order? Are you here just to ask for information?

KYLE ROBINSON: I'm here to get an accounting of the escrow funds. I don't think that would be very hard. He should have the accounting. We've been asking for the accounting since 1993. Here's what we've got the first day right here in front of this Board. I'll just pass this out

here to you and you take...and if you can figure out the accounting and if interest was paid and all of this other things that's not on there, I would be happy to know. I can't see where any interest was paid or anything in here. I mean, it's paid it would be on it you know. Would you like to have a copy?

SHARON PIGEON: I would indeed. Thank you.

BUTCH LAMBERT: Just all of this...share this one.

KYLE ROBINSON: That's what I'm here. Another thing, from '93...from '93 starting one they paid me for 8.31 acres instead of the...they didn't back up and pay for the 10.72 acres. No interest was paid. Not even on the sheet there. If you notice on the sheet, the first...number one sheet, this is what we got at the escrow hearing. Now, can you see...can you tell me if there's any interest paid? How much the price of the gas? Can you tell me anything about? They just throw a sheet of paper at us. It doesn't have anything. And he's calling that an accounting sheet. See, I sent letters to both the Gas Board and CNX trying to get a copy of their accounting. I've not. I've got part of an accounting. But my bookkeeper can't close it. There's no way you can close it. Okay, you go to A Exhibit there. Well, you turn over...you turn over to...turn on over there, this A and B is supposed to be the same accounting, but you

can see very...what happened. They done two accountings... two different accountings. Look at sheet B...look at sheet B. That's the same...that comes from the same accounting. Now, how...now, which one did they pay me on? I mean, I'd like to know which accounting sheet did they pay me from. They have no accounting. They may have it, but they never give it to me or anybody else. See, part of that accounting...this A and B accounting is supposed to be the same. A and B accounting is supposed to be the same and they're not. You take down and break it down. I broke it down. On D, you can look and see what they did. They come by on the first accounting sheet and they figured it up and they said, uh, oh, we didn't charge Kyle Robinson enough transportation fee. So, they come back on the next sheet and upped it. I mean, there's something wrong. And it's just like that all through it or what little accounting we got. We don't have a past...don't have a past on this sheet about the methane gas wells. I mean, if I was accounting, wouldn't you put down the price of how much methane gas was that I was being paid for? They throwed this sheet out and said that...at the hearing and just throwed this sheet and that was it. Does that represent any accounting to you? I mean, I went to school two or three days, but, I mean, that's not accounting to me. On page one, do you think

that's accounting? Furthermore, about the difference in the 8.31 acres and the 10.72, CNX brought that in front of the Board themselves and volunteered to increase it because they knew it wasn't right. They tracked it themselves. They were the one that brought it in front of the Board. But my question is any interest being paid on this bunch. I have no accounting. You have to have an accounting.

BUTCH LAMBERT: Okay, Mr. Robinson, you've given us or provided us with eleven concerns.

KYLE ROBINSON: That's right. I'd like to have every one of them eleven answered.

BUTCH LAMBERT: Okay, Mr. Swartz, as I understand it, he's not asking for an appeal of a decision. He's just---

KYLE ROBINSON: No.

BUTCH LAMBERT: ---asking for an accounting.

KYLE ROBINSON: I'm asking for an accounting. I want the accounting from day one.

MARK SWARTZ: We have given it to him repeatedly. We have copied, because Mr. Asbury has assisted. You know, we give him the information and he doesn't like it. So, he complains to Mr. Asbury. Mr. Asbury writes to us and we respond and give him copies. I mean, we have provided the check detail. I mean, I've got a list of every check that

we've written since 1993.

KYLE ROBINSON: Right here is the accounting---.

MARK SWARTZ: The portions of that that go to the tracks, the interest that the bank paid, you know, the whole...I mean, we have provided this information over and over and over again. I think, you know, when Mr. Asbury came on board he didn't have that history. So, we had to sort of start from scratch with him and provide the information. I mean, we have provided this information over and over and over again.

KYLE ROBINSON: Okay, then, if you've provided it I wouldn't be here today.

MARK SWARTZ: Mr. Robinson, I disagree with that. I think that you like a good fight and you will be here as long as you are allowed to keep coming back.

KYLE ROBINSON: As long as---.

BUTCH LAMBERT: Gentlemen, I'd ask that you direct your comments to the Chairman and to the Board, please, and not to each other.

KYLE ROBINSON: This is what I got from Mr. Asbury. Pass it around and take a look. That's the accounting that I got from Mr. Asbury.

BUTCH LAMBERT: Do we have any comments or questions from the Board?

(No audible response.)

KYLE ROBINSON: I'd like for you to just answer each question.

BUTCH LAMBERT: Mr. Asbury, do you have anything to add to the record?

DAVID ASBURY: I was not familiar with this case when I came on Board and Mr. Robinson did ask for this accounting. I think the sheet...I did go to CNX. I was provided a copy of the spreadsheets that you have that we also provided to Mr. Robinson with that spreadsheet. I think there's a segment here that he's asking about from 1993 until this first accounting in 1994 where there might be some questions about the interest, in his mind, that was or was not paid. I think that spreadsheet probably answers those questions.

KYLE ROBINSON: And that's the spreadsheet that you gave to me.

DAVID ASBURY: I think...I'd have to look at it again Mr. Robinson, but I...the spreadsheet there has all of the accounting as far as I know of from CNX. It details every month from the wells that he's questioning today. It's their official accounting record. I personally saw their accounting records and the printing of that spreadsheet. That's what they provided us so we could

provide to Mr. Robinson.

KYLE ROBINSON: Well, you might take notice the Sheet A has come from the spreadsheet here. I don't see where any interest has been paid. I don't see where they have increased my acreage.

BUTCH LAMBERT: Where they've increased your acreage?

KYLE ROBINSON: They volunteered because I...I asked...I was dealing with Bob Wells. CNX volunteered to increase my acreage because they force pooled me at the low rate over my objection, the Board did. All of this has been over the Board's objection. I came down here on these wells and I objected for 8.31 acres because I told them it wasn't the correct acreage, but they force pooled me anyway. Then, they volunteered to come back and increase it from 8.31 to 10.72. But they did not go back from day one with their 10 acres...10.72 acres. So, I've not been paid the difference...I've not been paid the increase. I have not been paid...they've not shown me where they've paid me any interest on anything...any of these.

MARY QUILLEN: Mr. Chairman, do we have the dates or documentation or when this change was supposed to have been made? I was not on the Board doing this time, so I don't have any---.

BUTCH LAMBERT: And, Ms. Quillen, do you mean from the acreage---?

MARY QUILLEN: Uh-huh.

BUTCH LAMBERT: ---when the change might have...? Well, I'm not sure. We'd have to go back and---

MARY QUILLEN: Is there...is it contained in the records?

PEGGY BARBAR: It hasn't been long ago, has it? It hasn't been that long ago, has it, Mr. Robinson, that---?

KYLE ROBINSON: It was---

PEGGY BARBAR: ---they made the change?

KYLE ROBINSON: They made the change in acreage, yeah.

PEGGY BARBAR: Right. But it hasn't been longer than a year ago---?

KYLE ROBINSON: They made the change in acreage on February the 24th, 2006, but they didn't go back...but I need the accounting from day one because I need them to show me where the interest and the figures. Just throw that sheet out there...I mean, why can't I...it don't tell me nothing. On that sheet there, it don't even have a price of the...of what the gas was. All I'm asking...it's not...not hard. I mean, a second grader could figure it. If I had the figures, I could figure it, but I don't have no figures

to figure with. Me and my bookkeeper, we've been going crazy trying to figure out how to make the ends meet. The ends won't meet.

PEGGY BARBAR: Mr. Chairman, may I make a comment?

BUTCH LAMBERT: Ms. Barbar.

PEGGY BARBAR: As an educator, from time to time we have numerous questions from students and the very common response is to look it up in the book. I think we have a look it up in the book situation here where Mr. Robinson, and don't let me put words in your mouth, but I feel like he's groveling for information and he just can't find it. Someone has got to show him. I would make a recommendation that items one through six at least be specifically answered.

MARK SWARTZ: Let me pass around---

PEGGY BARBAR: And then the others, I would think if he gets one through six specifically answered, he will be able to answer the rest of those for himself. But right now he, for some reason, doesn't have the information to answer those questions---

KYLE ROBINSON: I don't have the information.

PEGGY BARBAR: ---in my opinion. Somebody has got to help him get those answers.

MARK SWARTZ: We have provided this exact

information. In fact, an accounting which shows the interest on the checks whether it was paid or not was actually attached to an order that this Board entered. I mean, it has got the initial \$16,000 deposit. It runs through...I'm not making this up. I'm going to lend you this order, which was entered and recorded...this was...Hurt McGuire was also in this unit and also had a disbursement. I think some of the (inaudible). I think they're referred to in some of the accounting information.

PEGGY BARBAR: And the interest is on the check?

MARK SWARTZ: Interest is on this spreadsheet, which we know we have---

PEGGY BARBAR: Do you have it?

KYLE ROBINSON: No, I don't have no...where any interest has been paid.

MARK SWARTZ: This is not some mystery. This is...all of these tracts...this was at the same time we're dealing with him.

KYLE ROBINSON: They paid me interest on the difference, but not the total picture. When I'm looking for interest on the forty some thousand, where is the interest \$40,000.

DAVID ASBURY: Mr. Robinson, some of the interest---

MARY QUILLEN: This---.

KYLE ROBINSON: My argument is if it's not there it ain't been paid. You show me the difference.

BUTCH LAMBERT: Ms. Quillen, do you have a comment?

MARY QUILLEN: I just wanted to ask Mr. Swartz on this...each one of these...this is kind of light on the...is the total amount of the check date and it has got 2, 3, 4, 5, 7, 8, 11 and 12 across the top.

MARK SWARTZ: Those are the tracts.

MARY QUILLEN: Those are for the tracts and his is Tract 8, is that correct?

MARK SWARTZ: Right. VGOB Tract 8 on Conoco Tract 4. Do you see that?

MARY QUILLEN: Okay. Now, is the total amount that was paid out on Tract 8?

MARK SWARTZ: Actually, it's a list of every check that was deposited in escrow and then spread across all of the tracts. If you get all of the way over to the second page, you'll see that there is a net income...plus or minus net income column---.

MARY QUILLEN: Uh-huh.

MARK SWARTZ: ---and that's where the bank's interest or fees are applied as a plus or a minus and that

column shows that when the \$16,657.35 was paid to establish the escrow account no interest predated that. Do you see that?

MARY QUILLEN: Right.

MARK SWARTZ: The three zeros.

MARY QUILLEN: Right.

MARK SWARTZ: And then there's a...then there's a bank charge. I think there's a negative number actually, the first entry.

MARY QUILLEN: Right.

MARK SWARTZ: And then it starts mostly positive and that would be the interest accruing. So, the plus or minus net income. But that's really...the interest is also...would be net interest because the bank was applying interest, but also applying fees.

MARY QUILLEN: And that amount is the total amount from all of the tracts, is that correct?

MARK SWARTZ: Correct. Correct.

MARY QUILLEN: Okay. So, is there somewhere that it's broken down for the amount for each individual in that tract? Is there other people in that Tract 8 that have an interest or is he the only owner in Tract 8?

MARK SWARTZ: Well---

KYLE ROBINSON: Do you want me to solve your

problem?

MARK SWARTZ: He was the only owner in Tract 8.

MARY QUILLEN: Okay. So, in Tract 8 the only owner, then this amount...this total amount that was paid is the check total, which includes the income which is the interest?

MARK SWARTZ: Actually, when you go to pay him out, you have to allocate the interest back to the individual tracts on a pro-rata basis. But, yes, that is the point of the exercise.

MARY QUILLEN: So, if you go back to Tract 8, for instance, on 925, there's \$3,083.59...let's see, out of---

MARK SWARTZ: I'm not sure that I know where you getting that number. I get 2580.59, but let me...I didn't have a copy of that.

(Mary Quillen and Mark Swartz confer among themselves.)

BUTCH LAMBERT: Let's regroup and gets this back before the Board.

SHARON PIGEON: As much fun as you both are having.

(Laughs.)

KYLE ROBINSON: What it amounts, I don't have no accounting. I mean, it's plan to see. They have provided

me with nothing to figure with.

(Mary Quillen, Mark Swartz and Anita Duty confer among themselves.)

KYLE ROBINSON: You can see by this handout---

BUTCH LAMBERT: Folks, we're still on the record here. We need to---

MARK SWARTZ: All right, maybe...let me---

BUTCH LAMBERT: We need for everybody to...the Board to be a part of this discussion.

MARK SWARTZ: Let me try this and maybe this helps and maybe it doesn't.

MARY QUILLEN: Is this your copy here?

MARK SWARTZ: Yes.

MARY QUILLEN: Okay.

MARK SWARTZ: When we pay out of escrow, because there is interest being applied by the escrow agent bank to the escrow account on a periodic basis and there are fees being deducted on a periodic basis, we calculate the acreage that's going to be paid out. We take a total of the acreage that's subjected to escrow and we calculate a percentage. That's why we're always here with a percentage. We then know the total balance in the account for all of the acreage as of a date. We take and we calculate on an acreage basis what percentage of the total funds on hand, which would

include the share of interest that's tracked here and which would include the deducts for the share of the cost that's tracked in that column so that when you get that percentage of the total you're paying a percentage of the costs and you're receiving a percentage of the interest. All of the pluses and minuses are tracked on the, you know, plus or minus net income column. So, you get your piece of that the way the calculation is done. I don't know how else to, you know...we paid in, let's give you an example, a \$100 for his account. The bank applied charges and interest and he got another \$5. Well, he gets his percentage, the \$105 comes out, but that's how it's calculated. I don't know how else to...and it's really not that compli...I mean, it is that simple. It's the acreage calculation to allocate the total.

SHARON PIGEON: Mr. Swartz, I don't remember, you know, specifically doing this time, but I know at one time the interest...the escrow account the interest rate fluxuated. Was that during maybe this time so that, you know, we didn't get a set interest rate at that point?

MARK SWARTZ: Oh, I'm sure it did. You know, I'm thinking that we had a couple of escrow agents...

(Anita Duty and Mark Swartz confer.)

MARK SWARTZ: Anita is telling me that at least through the time that you got it, it was all First Virginia,

but the interest comes from ledger sheets that she received from the bank.

BUTCH LAMBERT: Okay, what I'm hearing Mr. Robinson---?

KYLE ROBINSON: Okay---.

BUTCH LAMBERT: ---he no way...excuse me, Mr. Robinson. He had no way of...he doesn't understand to know how that interest is calculated and how he was paid. I understand that's all he's asking for. I agree with Ms. Barbar...with her suggestion about that. Someway he ought to be explained.

MARK SWARTZ: I will write him a letter with exhibits and I will copy you guys and do my best to tell him here's the math and here's the deposits so that you have a record my attempt to explain this to him because I'm...I feel like we've explained it over and over again. Obviously, if you want me to explain it one more time, I will. But I want to have a written record of that so that if I'm back here you can tell me I did a good job explaining or I did a lousy job explaining it. But we can do that because we've got...you know, we've had the paperwork forever.

BUTCH LAMBERT: So, Mr. Swartz, do you have a copy of his document that he submitted for your---?

MARK SWARTZ: No, he did not give that to me. I mean, I have a copy of his petition, but I don't have a copy of what he just gave you.

BUTCH LAMBERT: It was mailed to CNX Gas, LLC, Bluefield.

MARK SWARTZ: I have the petition. I don't have---.

BUTCH LAMBERT: You have the petition, okay.

MARK SWARTZ: ---this stuff.

MARY QUILLEN: Mr. Chairman, could I ask Mr. Swartz, is that spreadsheet that you have...that you and I were just discussing there, could you include that...a copy of that for him?

MARK SWARTZ: Right. I mean, he's probably got it, but, yeah, I will definitely include that with my letter explaining...here you go.

MARY QUILLEN: And pull your examples from that spreadsheet.

KYLE ROBINSON: Was this what you was talking about where I sent requesting---?

BUTCH LAMBERT: No, sir.

SHARON PIGEON: Your handout.

KYLE ROBINSON: Oh, I don't have a copy of that.

BUTCH LAMBERT: And your handouts.

BRUCE PRATHER: They've got one.

PEGGY BARBAR: Mr. Chairman, may I ask one more question of Mr. Robinson?

BUTCH LAMBERT: Yes, Ms. Barbar.

PEGGY BARBAR: I understand all of your questions and I think what you would like to see in an answer. But questions number four, what exactly are you looking for there? How is the price of methane gas arrived at?

KYLE ROBINSON: It's not on the sheet. It's not on the sheet. We haven't got nothing to work with. On A...look A. You have it in from of you. Exhibit A, look at it.

PEGGY BARBAR: Is that something, Mr. Swartz, that...that seems like something very difficult to go back and track for that many year? It seems like that would be difficult to track for that many years. I mean, some things will be---

BUTCH LAMBERT: Are you asking---

PEGGY BARBAR: Are you wanting it for every year or every month or...the price of gas that was sold during this ten year time period?

KYLE ROBINSON: And another thing here, he's claiming right here on this bank, where was this \$16,000 put at, at what bank, \$16,657.35?

MARK SWARTZ: First Virginia.

KYLE ROBINSON: Where is that at?

MARK SWARTZ: It was in Tazewell.

BUTCH LAMBERT: And, again, I would ask both of you to address your comments to the Board, please.

KYLE ROBINSON: I was told it was put in the Bank of Tazewell. I went to the Bank of Tazewell difference and difference of times because I had an antique shop across from it and they had no records of there ever having an account there.

BUTCH LAMBERT: So, Mr. Swartz, as I understand it, you'll take his petition and respond to his questions?

BRUCE PRATHER: To the best of your ability?

BUTCH LAMBERT: To the best of your ability?

MARK SWARTZ: Yes, I will...I will try to give a this is how you do it.

KYLE ROBINSON: On question six there, from October, 1994 until December, 1995 how could they take 82.45% for transportation. I mean, it didn't leave me, what, 2% out of 12 and a ½. Lord, have mercy.

BUTCH LAMBERT: Mr. Swartz, has agreed to provide an answer to each and everyone of your concerns, Mr. Robinson.

KYLE ROBINSON: Well, I'd like to turn to eleven

and then I'll...if he's going to furnish it, let him furnish it. Go ahead. But I'd like you to just look at eleven... number eleven. For the last, two months...three months I've got paid for the same amount mcs. How can I have two wells and they cut that valve off three months in a row at 24 mcs. That's impossible. Even electronics won't do it. But I'd be happy if he answers the questions. But I also reserve the right to come back in front of this Board just, you know...if he can show me the interest from day one.

MARK SWARTZ: Mr. Robinson, I'm telling you there's no interest on this sheet up until after the deposit---

KYLE ROBINSON: Well, that's what I say, it's no interest. That's the reason---

COURT REPORTER: One at a time.

BUTCH LAMBERT: Gentlemen, one at a time, please. I have to remind you again, comments to the Board.

KYLE ROBINSON: Go ahead. Go ahead. I'll yield to them.

MARK SWARTZ: This is really simple. There was no interest accruing anywhere until the money got into the bank. The spreadsheet has shown that forever. Then once it got into the bank, the plus and minuses start in February of...I'm sorry, in September of '95.

SHARON PIGEON: Just to be specific for everyone, you're referring to when it goes into the bank is when it went into the Board's escrow account?

MARK SWARTZ: Correct.

KYLE ROBINSON: What happened to the money...did somebody have it in their pocket?

MARK SWARTZ: It was in suspense. It's no mystery. That's where it was.

SHARON PIGEON: That was---.

BUTCH LAMBERT: Okay, we're completed with this item. Mr. Robinson, we will expect an answer to each and everyone of your concerns and your petition from Mr. Swartz. If you have any additional concerns, you have the right to come back before the Board.

KYLE ROBINSON: Okay, sir.

MARK SWARTZ: And I would request if he has questions about my letter that he write to you and give me a copy...so that I know what's coming, okay, so if he says I don't understand this or I'm missing this piece of information and your answer is unacceptable, I would like something in writing from him so that I can react to that rather than come back here, you know, not knowing what's coming.

BUTCH LAMBERT: Do you understand what he was

asking, Mr. Robinson? If you have any question, please write your questions to the Board and a copy to Mr. Swartz. If you have any questions on the information that he submits you.

KYLE ROBINSON: Well---.

BILL HARRIS: After---.

BUTCH LAMBERT: After he gets it to you.

KYLE ROBINSON: All right.

BUTCH LAMBERT: Okay.

KYLE ROBINSON: Fair enough. Thank you.

BUTCH LAMBERT: Thank you. The next item is a petition from GeoMet Operating Company, Inc. for the pooling of coalbed methane unit E-37, well Rogers 426, docket number VGOB-09-0120-2447. All parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, Tom Mullins with the Street Law Firm on behalf of GeoMet. We'd ask that this item be continued.

BUTCH LAMBERT: Until?

TOM MULLINS: February.

BUTCH LAMBERT: February. That item will be continued.

DAVID ASBURY: Mr. Chairman, I'm sorry, that was 2447?

BUTCH LAMBERT: Mr. Mason, I know you drove a long way for this agenda item. Will you agree to continue it?

GEORGE MASON: Yes, sir. For appearances, George Mason on behalf of LBR Holdings, LLC. Yes, we're agreeable to GeoMet's continuing docket number thirty-seven, which is E-37.

BUTCH LAMBERT: Okay, that item will be continued.

MARK SWARTZ: I didn't drive as far, but I object either.

(Laughs.)

BUTCH LAMBERT: Well, thank you, Mr. Swartz.

SHARON PIGEON: We knew you were coming anyway.

TOM MULLINS: It goes down to forty-four, I think...agenda item forty-four, F-38.

BUTCH LAMBERT: The next item on the docket is a petition from GeoMet Operating Company, Inc. for the pooling of coalbed methane unit F-38, well Rogers 421. This is docket number VGOB-09-0120-2454. All parties wishing to testify, please come forward.

TOM MULLINS: Tom Mullins with the Street Law Firm on behalf of GeoMet.

GEORGE MASON: George Mason, attorney for LBR Holding, here in support of the pooling petition of GeoMet.

DALLAS NESTEL: Dallas Nestel, GeoMet as project

manager.

MARK SWARTZ: Mark Swartz representing CNX.

(Dallas Nestel is duly sworn.)

COURT REPORTER: Can you spell your last name,  
please?

DALLAS NESTEL: N-E-S-T-E-L.

TOM MULLINS: Mr. Chairman, I have...there was  
some topographical errors on Exhibit B and B-3. I have  
revised copies of those to hand out to the Board.

(Tom Mullins passes out revised exhibits.)

BUTCH LAMBERT: Seeing no others, you may proceed.

TOM MULLINS: Thank you, sir.

DALLAS NESTEL

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

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your full name?

A. Dallas Nestel.

Q. Mr. Nestel, have you ever testified in a  
live hearing like this before?

A. No, I have not.

Q. Are you asking for the Board's patience and

sympathy for your first time as a witness in the matter?

A. Yes, I am.

Q. All right, sir. Would you please state your full name?

A. Dallas Nestel.

Q. And by whom are you employed, sir?

A. GeoMet Operating Company, Inc.

Q. How long have you been employed by GeoMet?

A. Two months.

Q. What did you do before you came to work for GeoMet?

A. I worked in the gas industry for twenty-five years prior.

Q. Okay. What are your job duties for GeoMet?

A. I manage the Virginia and West Virginia operations.

Q. All right. Does that include the unit identified as F-38 on the application?

A. Yes, it does.

Q. Okay. Are you familiar with the application that has been filed her today?

A. Yes.

Q. This is an 80 acre Oakwood Field unit, is that correct?

A. That is correct.

Q. Does GeoMet have drilling rights in this unit?

A. Yes, they do.

Q. To your knowledge, are there any respondents listed on Exhibit B-3 that should be dismissed?

A. No.

Q. What is the percentage of coal under lease?

A. 73.35%.

Q. Okay. And the gas ownership?

A. The same 73.35%.

Q. Was notice sent as required by 45.1-361.19?

A. Yes.

Q. Okay. And we are going to submit the green cards or copies thereof to the Director after hearing, is that your understanding?

A. That is correct.

Q. All right, sir. And you're asking that the order of the Board be contingent upon that being done?

A. Yes.

Q. Okay. Is GeoMet authorized to do business in the Commonwealth?

A. Yes.

Q. Does GeoMet have a blanket bond on deposit

with the Department?

(Off record discussion.)

Q. Do you have a bond?

A. Yes.

Q. Okay. What are the lease terms that GeoMet offers to folks?

A. One-eighth royalty, five year term and twenty dollars per acre bonus.

Q. For a five year paid lease, correct?

A. Correct.

Q. And in your experience in the gas industry, is this a fair and reasonable lease term?

A. Yes.

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

A. 26.65%.

Q. Okay. And that is also for whatever coal estate is out there, correct?

A. That is correct.

Q. There are no unknown owners are there?

A. No.

Q. And there's no owners whose interests are in dispute to your knowledge?

A. No.

Q. Okay. And you're...on behalf of GeoMet you're asking the Board to pool these unleased interest, is that correct?

A. That is correct.

Q. Should correspondence be sent to Joseph L. Stevenson, Land Manager, GeoMet Operating Company, 5336 Stadium Trace Parkway, Suite 206, Birmingham, Alabama 35244?

A. Yes.

Q. Okay. Now, attached to the application is an estimated well cost sheet, is that correct?

A. That is correct.

Q. All right. And that's at the very end, Exhibit C. And that has been signed by somebody at GeoMet?

A. That's correct.

Q. And that was done, you have knowledge and information...first hand information about the expenses listed herein, is that true?

A. Yes, I do.

Q. Okay. What is the estimated total depth for the proposed well on this unit?

A. 1943 feet.

Q. What does GeoMet estimate the reserves to be?

A. 936 million.

Q. Okay. And what are the estimates of the completed well costs?

A. \$458,377.50.

Q. What about dry hole costs?

A. \$234,255.

Q. And Exhibit C is the exhibit to the application that outlines those costs, is that correct?

A. That's correct.

Q. Okay. Do the estimated well costs include a reasonable charge for supervision of the drilling of the well?

A. Yes.

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

A. Yes, it would.

TOM MULLINS: Mr. Chairman, that's all the questions I have on those application issues.

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Mr. Chairman, I have one question. Would you repeat the depth, please?

DALLAS NESTEL: 1,943 feet.

SHARON PIGEON: That's not the depth that we have in the application.

MARY QUILLEN: And neither is the mcf either.

SHARON PIGEON: So, you have two questions.

MARY QUILLEN: I'm sorry, two questions...well, actually three questions. The AFE is slightly off on the total. It's rounded up to 378.

DALLAS NESTEL: 458 and 378.

MARY QUILLEN: Uh-huh. Instead of 750.

SHARON PIGEON: I think the application might have the number that he used. Let me see if I can find it.

MARY QUILLEN: Yeah, the cover sheet has that amount.

DALLAS NESTEL: They rounded the 50 cents up to the whole dollar amount.

TOM MULLINS: May I reask a couple of questions?

BUTCH LAMBERT: Yes, you may.

DALLAS NESTEL

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. MULLINS:

Q. Mr. Nestel, you came in here today prepared to testify on two units, is that correct?

A. That is correct.

Q. The information that you just testified to is that possibly for the application that we just continued

on E-37 as far as the total depth of the well and the expense?

A. I think you are correct.

Q. Let me go through this one more time then. On Unit F-38, the application on page two, subsection D, indicates a total depth of the well 2,011 feet. Is...to your knowledge, is that correct?

A. Yes, that is correct.

Q. Okay. And the estimated well reserves on paragraph E of that application is 988 million, is that---?

A. That is correct.

Q. Okay. And the application indicates a total well cost of \$459,377.50. While the exhibit rounds that off, is that the number as you understand it today?

A. Yes.

TOM MULLINS: All right, sir. Is there anything else that I...that the Board has a question about?

BUTCH LAMBERT: Any further questions from the Board?

BILL HARRIS: Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: Two questions. One is, Mr. Nessel...Nestel, is that---?

DALLAS NESTEL: Nestel.

BILL HARRIS: Nestel. One involves the AFE for this project. I noticed down at the bottom there is a 5% contingency amount. I don't know if we've seen that other AFEs. I may stand to be corrected. What kind of contingencies are we talking about and what happens there are no contingencies? Does this money get refunded from the total or what happens to that?

TOM MULLINS: He's new.

BILL HARRIS: I understand.

BUTCH LAMBERT: Mr. Mullins, would you like to have him sworn in to testify for you?

TOM MULLINS: No, I don't think so. Why don't we move to strike the contingency from the exhibit? That might be the simpler thing.

BILL HARRIS: And...well---.

SHARON PIGEON: Well, let's handle that before you move on because---.

BILL HARRIS: No, no, no, I was going to---.

TOM MULLINS: We'll submit a new Exhibit C.

SHARON PIGEON: And you're going to reduce the anticipated costs by \$21,628?

TOM MULLINS: Correct.

SHARON PIGEON: Is that right?

TOM MULLINS: That is correct.

SHARON PIGEON: Okay.

BILL HARRIS: And I do understand that these estimates and I know that sometimes---

TOM MULLINS: They are estimates.

BILL HARRIS: ---you know, looking at the history of these they fluxuate a little bit and there may be 5% here or there, but I think this is the first time that I've seen it explicitly shown. You know, when it's out there, then we ask questions about it.

BUTCH LAMBERT: Any other questions from the Board?

BILL HARRIS: I have one other question.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: The reserves, the 993, I think.

TOM MULLINS: Yes, sir. 988.

BILL HARRIS: I'm sorry, 988. Can I ask what's that based on? That seems to be two to three times higher than what we usually see for reserves.

TOM MULLINS: Sure. The Board may remember, GeoMet has offered testimony in the past concerning the way they complete the wells.

BILL HARRIS: Yes, uh-huh.

TOM MULLINS: They have a different completion methodology, hence a higher completion cost and they

complete more zones, which enables them to drain more gas.

BILL HARRIS: Now, have we seen that in any reports?

TOM MULLINS: Yes, sir. In fact, we had one that was approved probably eight months or so ago that had 1 bcf if I'm not mistaken.

MARY QUILLEN: Uh-huh. And it was questioned then.

BILL HARRIS: Yeah, I don't remember asking that question. I don't know if I was the one, but I know that question has been---

TOM MULLINS: Mr. John Hollingshead, who is the reservoir engineer, I think came up and testified, if I'm not mistaken about that.

BILL HARRIS: Yeah, because I had asked about the cost on the AFE being---

TOM MULLINS: You have.

BILL HARRIS: ---what appeared to be higher than what we had been use to seeing. But in terms of production, are you all seeing that in your production because---

TOM MULLINS: To my knowledge, they are, but I'm not the person to be able...and he's new. The testimony at that prior hearing was it was consistent...the pattern was consistent. They continue to change based upon records, but

that was what they had been seeing and that's what they modeled this from.

BILL HARRIS: But I don't know that we had ever seen the records. I am not asking to see records, but I'm just saying that---.

TOM MULLINS: Well, we had exhibits, if I'm not mistaken, at that last hearing that we offered to show what we base that on. I don't have them with me today.

BILL HARRIS: Okay. Thank you.

SHARON PIGEON: Mr. Mullins, I apologize if he testified to this and I didn't get it. Could you tell us what Mr. Nestel's job title is?

TOM MULLINS: Sure. Is your job title project manager for the Pond Creek properties, which include management of the West Virginia and Virginia properties?

DALLAS NESTLE: Yes, it is.

TOM MULLINS: Okay.

SHARON PIGEON: But he's not a geologist or we would have just heard him testify?

TOM MULLINS: That's correct.

SHARON PIGEON: All right. Thank you.

BUTCH LAMBERT: Just for the record, Mr. Mullins, you passed out new Exhibits B and---.

TOM MULLINS: And B---.

BUTCH LAMBERT: ---B-3.

TOM MULLINS: Yes, sir. I'd like to ask those be  
incorporated into the application.

BUTCH LAMBERT: Thank you.

SHARON PIGEON: And he will submit a new AFE.

BUTCH LAMBERT: Yeah. Any further questions from  
the Board?

(No audible response.)

BUTCH LAMBERT: Do you have anything further, Mr.  
Mullins?

TOM MULLINS: No, sir.

MARK SWARTZ: Actually, I have a couple of  
questions.

BUTCH LAMBERT: I was getting to you next, Mr.  
Swartz. Mr. Swartz.

MARK SWARTZ: Thank you. Thank you.

#### CROSS EXAMINATION

#### QUESTIONS BY MR. SWARTZ:

Q. Mr. Nestel, what's the status of the permit  
for this well?

TOM MULLINS: Objection. Permitting has got  
nothing to do with the force pooling. We've been through  
this and been through this and we've been through this. I

object to getting into the permitting issues. I've spent hours, as the Board, addressing these issues on this application. The Board has ruled that permitting does not apply to the force pooling issue. I ask that question be stricken.

BUTCH LAMBERT: Any legal advice?

SHARON PIGEON: We've had the same exchange before and I think we have allowed testimony on it, but have done...the Board has determined how much weight they would give to it and sometimes they have not given much to it and sometimes more. I think it's your call.

BUTCH LAMBERT: Okay.

GEORGE MASON: I'd like to say that I join in that objection on behalf of LBR Holdings, LLC. Note that for the record, please.

GEORGE MASON: Okay. Your objection is noted and we'll allow it.

(Tom Mullins and Dallas Nestel confer.)

A. We've not filed for a permit at this time.

BUTCH LAMBERT: Thank you.

Q. With regard to your plat, Mr. Nestel, I don't...are there no wells within 2500 feet? Is that why there's no notation on your plat?

TOM MULLINS: Mr. Chairman, to keep from

interrupting, I would like to make my objection a continuing objection. This is a permitting driven issue because it's a permit object issue under 65.1-361.12. Instead of doing that with every question that Mr. Swartz ask, I would just like to have the Board let me make it one time on anything that has to do with permitting and not have to interrupt folks.

BUTCH LAMBERT: Mr. Swartz, let me ask a question, are all of questions in with the permit...the potential permit?

MARK SWARTZ: Actually, this one, I think, I need to respond and say that the Board requires the operators in the pooling plat to show these distances. We put it on our maps because we have been asked by this Board to do that. So, I think you require operators who come before you on a pooling application to set forth whether or not there are other wellbores within 2500 feet. So, I think that's a completely legitimate question because it's a requirement and I'm asking him simply if the reason it's not on here because there aren't any. I'm just confirming that.

GEORGE MASON: Before we get too far along, let me also on behalf of LBR Holdings, LLC join in the continuing objection that GeoMet has.

BUTCH LAMBERT: Okay. I think what we'll do,

we're going to...I'm going to allow his one question on other wells and then we may not take any further on permitting issues.

A. I'm unsure.

Q. Do you understand that there's a Board requirement that that information should be on the plat that you've submitted with your pooling application?

TOM MULLINS: This objection is a little bit different. He's not laid a foundation that this man is the right man to ask detailed questions about the plat preparation. He would need the guy he certified the plat or the surveyor to come in to answer plat driven questions about other locations on that. If the plat is certified to and meets...otherwise meets the Board requirement, if he wants to inquire about that, he could have brought in an expert of his own or so forth. This man is not the person to testify to surveying. In fact, you're supposed to have a license to do that.

MARK SWARTZ: My response to this, if he doesn't know about information that's supposed to be on a plat, he could say I don't know.

BUTCH LAMBERT: I think that's what I heard him say.

Q. So, you don't know?

A. I don't.

Q. Okay. With regard to your title information, let's take the revised exhibits, there are three tracts in this unit, right?

A. Yes.

Q. And the tract that the well...proposed well is to be located on is Tract 1, I think, correct?

A. That's correct.

Q. Okay. And you'll notice with regard to...if you just look at the first page of Exhibit B, with regard to Tract 2, you're showing lease information with regard to the coal under the Tazewell Coal & Iron tract, correct?

A. That is correct.

Q. And you're showing lease information under Tract 3 with regard to the Unicon Pocahontas Coal tract? You're showing Reserve Coal properties and Jewell Smokeless, right?

A. That is correct.

Q. Where is the lease information with regard to Tract 1 or what is the lease information with regard to Tract 1?

A. It would be the Equitable Production. Do you need the lease number?

Q. Well, actually I'm interested in the coal lease information. I don't understand Equitable to have a coal lease.

TOM MULLINS: If you don't know, just say you don't know.

A. I don't know.

Q. Do you know if the coal under Tract 1 is leased or unleased?

TOM MULLINS: He, again, didn't ask any foundational questions whether this man personally ran the title. If he has contrary title information he can bring it in, but this man (A) is new; and (B) he's not found out whether he's the one to ask this question of.

BUTCH LAMBERT: So, his answer to the question would be?

MARK SWARTZ: I don't know.

A. I don't know.

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Any discussion from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BUTCH LAMBERT: Do I have a second?

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and a second. Is there any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: It's approved, Mr. Mullins. I think the next item on the agenda is a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530026. It's docket number VGOB-08-1209-2413. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Phil Horn and Gus Janson for applicant.

BUTCH LAMBERT: Okay, all parties wishing to testify, please state your name for the record.

TIM SCOTT: Raise your right hands.

COURT REPORTER: They've already been sworn.

BUTCH LAMBERT: They're already sworn.

SHARON PIGEON: And your name is Tim Scott?

TIM SCOTT: Yeah, Tim Scott.

SHARON PIGEON: I just want to help you move along.

TIM SCOTT: It's really, really cold. That's all right. It's really cold.

BUTCH LAMBERT: Seeing no others, Mr. Scott, you may proceed.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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 the land manager for Range Resources-Pine Mountain, Inc. and one of my job descriptions is to see that the wells get permitted and drilled.

Q. Now, this particular application was previously filed for the December hearing, is that right?

A. That's correct.

Q. And we continued that for what reason?

A. We notified the wrong oil and gas owner.

Q. And that has been taken care of, is that

right?

A. Yes, it has. He has signed an oil and gas lease also, the correct oil and gas owner.

Q. So, as far as the notices that were provided to the parties listed on Exhibit B, we've actually notified twice, is that right?

A. That's correct.

Q. And we've filed a revised Notice of Hearing and revised applications with the Board, is that correct?

A. That's correct.

Q. Okay. Are the parties who are listed on Exhibit B, are those the proper parties to be before the Board today?

A. Yes, they are.

Q. And they are the oil and gas owners, is that right?

A. That's right.

Q. Okay. With regard to the wells that are closer than 2500 feet, who operates those wells?

A. Equitable Production Company.

Q. Do you also...does Range Resources also participate in the operation of those wells?

A. Yes, we do.

Q. And the oil and gas owners, again, are

probably set forth on Exhibit B?

A. That's correct.

Q. So, again, we've provided proof of mailing to Mr. Asbury today, is that right?

A. Yes, you did.

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

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSON

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Janson, would you please state your name, by whom you're employed and your job description?

A. My name is Gus Janson. I am employed by Range Resources-Pine Mountain, Inc. as the manager of geology.

Q. And did you participate in the preparation of this application?

A. Yes, I did.

Q. And would you please tell the Board why

we're seeking a well location exception today?

A. Yes, if the Board will refer to Exhibit AA, which I passed out. You can see the proposed location of 530026 well, which is inside the cluster of four adjacent wells...producing wells. The purpose of this well is to recover the stranded resources that were left behind by the original spacing of these wells. There's approximately 77.25 acres remaining to be explored in here. We've placed the surface location of this well in the most favorable topographic position to maximize the extraction of the remaining resources that have been left behind by the existing wells. It's based at the best we could based on the available topographic location.

Q. Now, if this application were not approved today, what would be the loss of reserves?

A. 300 million cubic feet of gas.

Q. And what is the proposed target depth for this well?

A. 4,995 feet.

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

A. Yes, it would.

TIM SCOTT: That's all I have for Mr. Janson on this application.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Janson, we've addressed this before, but, again, for the overlapping areas, could you explain how you plan to---?

GUS JANSON: In the cases where...in this specific case, all of the offsetting wells in this case are only wells that are...actually were established with 500 foot circle units. In this particular case, there would not be any overlap for the establishment of the new unit. In the event that there was any overlap, we would double pay between the two units. But in this case, there is none.

BUTCH LAMBERT: Okay, thank you. Any other questions?

MARY QUILLEN: Mr. Chairman, just one question about future development. There seems to be several other areas that look like there might be some stranded. Is there any interest in developing those or is the topography not---?

GUS JANSON: Yes, ma'am. We are continuing to experiment with this down spacing type of spacing to recover these loss reserves. We did several of these last year. We

were encouraged by those results. We're continuing that program on this year.

MARY QUILLEN: So, you can...are planning to then try and recover these...what appears to be stranded areas in this---?

GUS JANSON: Yes. As we have developed this area, we are also looking at these for horizontal drilling too. So, they're sort of a mixture of what is going on there. If we find an area that may be more suited to horizontal drilling, we may develop it that way as opposed to, you know, a down space type of well.

MARY QUILLEN: So, you're using every option to recover what's there?

GUS JANSON: Right. We're trying to target what best formations there and what is the best way to maximize the resource.

MARY QUILLEN: Thank you.

BUTCH LAMBERT: Any other questions from the Board?

BRUCE PRATHER: I have a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: This well is located on a strip mine, isn't it?

GUS JANSON: The proposed location?

BRUCE PRATHER: Yeah.

GUS JANSON: I don't think so, no, sir.

BRUCE PRATHER: It looks there's one that goes right through there on your paper.

GUS JANSON: I think that's just stippling of the raster image behind that. It's of the quality of raster. You can see it up in lots of areas. I don't think there's any surface mining in this specific area.

BUTCH LAMBERT: Mr. Prather, I'm familiar with the area and there is---

BRUCE PRATHER: There's not?

BUTCH LAMBERT: No.

BRUCE PRATHER: That sure looks like one.

BUTCH LAMBERT: I think it's a fuzzy---

GUS JANSON: If you look up in the very northeast corner, you can see the surface mining. It shows up a little bit better, that stippling up there as---

BRUCE PRATHER: Yeah, I see it.

GUS JANSON: ---opposed to the quality of that image there. I think it's just an image of the map.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's approved.

TIM SCOTT: Thank you. Thank you, sir.

BUTCH LAMBERT: At this time, we're going to take a ten minute break if that's okay. We'll come back at ten after three.

(Break.)

BUTCH LAMBERT: The next item is a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530024, docket number VGOB-09-0120-2456. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Phil Horn and Gus Janson

for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: Seeing no others, Mr. Scott, you may proceed.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. Phil Horn, land manager, Range Resources-Pine Mountain, Inc. and I'm in charge of getting wells drilled and permitted, among other things.

Q. Now, did you assist in the preparation of this application?

A. Yes, I did.

Q. And are you familiar with the acreage encompassed by this unit?

A. Yes, I am.

Q. Who owns the oil and gas under this unit?

A. Range Resources-Pine Mountain, Inc. owns all of the oil and gas in these units.

Q. And who operates the reciprocal wells that are listed on the plat attached to the application?

A. P-17 and P-18 are operated by Equitable

Production Company.

Q. And you also participate in that operation, is that correct?

A. That's correct.

Q. The parties who are listed on Exhibit B, how are they notified of the hearing today?

A. By certified mail.

Q. And we've provided those proof of mailings to Mr. Asbury, is that right?

A. Yes, you have.

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

DAVID ASBURY: Any questions from the Board?

(No audible response.)

DAVID ASBURY: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSON

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Janson, would you please state your name, by whom you're employed and your job description?

A. Gus Janson, employed by Range Resources-Pine Mountain, Inc., Pine Mountain, Inc., manager of geology.

Q. Did you also assist in the preparation of this application?

A. Yes, I did.

Q. And would you please tell the Board why we're seeking the well location exception for this particular well?

A. Yes, again, if the Board will refer to handout Exhibit AA, you'll see the location of the proposed well 530024. This was a little bit different from the typical ones that we pursue. This a very extreme down spacing with a limit amount of stranded acreage left. There's only 19.95 acres. In this particular case, the two wells are...P-18 and P-17 were both completed back in the '70s and they only targeted a single formation, primarily the Berea. One of the other wells were actually targeted for two formations. What we intend to do here is to look for that stranded acreage out of those formations, plus the drilling to the north and south of this has seen production out of other formations that we feel we may be able to also extract at this location too in other formations such as the Big Lime, the Weir and the Raven Cliff Sand and possibly even the Lower Heron in a vertical well.

Q. So, what's your target depth for this particular well?

A. 6,219 feet.

Q. And what's the potential loss of reserves if the application isn't granted today?

A. 350 million cubic feet.

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

A. Yes, it would.

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

BUTCH LAMBERT: Any questions from the Board?

BRUCE PRATHER: I have one question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: Is there any stranded acreage around this or is this all interior to Equitable and Range Resource?

GUS JANSON: If I understand, you're talking about others outside of---?

BRUCE PRATHER: Other unleased acreage in this immediate area that---?

PHIL HORN: I don't know.

GUS JANSON: I don't know the answer to that right off hand.

BRUCE PRATHER: Okay.

PHIL HORN: I think it's in the heart of our acreage. I know that P-17 and P-18 and this well is 100% oil and gas. I can't speak for the (inaudible) down there.

BRUCE PRATHER: You don't think you'd have any correlative right problems or anything like that on this one?

TIM SCOTT: Not in this one.

PHIL HORN: Not in this one, no, sir. Not the three wells.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Just for my information to help me out, I guess.

GUS JANSON: Okay.

BUTCH LAMBERT: How come we didn't move that well to the south and we've got it right there?

GUS JANSON: The other item I forgot to mention also in this area. In the area due south of this, immediately to the south is a potential coal reserve area that we have been asked by the coal owner in this area to stay out of that area at this point. At some point in the future, we may continue down into that area. As you can see, there's quite a bit of open area down in there once the mining is completed.

BUTCH LAMBERT: Is that proposed surface mining?

GUS JANSON: It's underground mining.

BUTCH LAMBERT: Underground. Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do you have anything further, Mr. Scott?

TIM SCOTT: No, sir.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's approved.

TIM SCOTT: Thank you.

BUTCH LAMBERT: The next item is a petition from Range Resources-Pine Mountain, Inc. for the pooling of conventional horizontal unit VH-530147. This is docket

number VGOB-09-0120-2457. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: Seeing no others, Mr. Scott, you may proceed.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. Phil Horn, Land Manager, Range Resources-Pine Mountain, Inc. One of my duties to get wells drilled... permitted and drilled.

Q. With regard to this particular unit, how many acres does it contain?

A. 320 acres.

Q. And a provisional drilling unit has been approved by the Board, is that correct?

A. That's correct.

Q. And does Range Resources-Pine Mountain have drilling rights in this unit?

A. Yes, we do.

Q. And are any parties respondent listed on Exhibit B or B-3 who should be dismissed today?

A. No, they're not.

Q. Have you attempted to reach agreements with the parties listed on Exhibit B-3?

A. Yes, we have.

Q. And what percentage of the unit does Range Resources-Pine Mountain have under lease?

A. We currently have 99.2% of the unit under lease.

Q. Now, as far as the notice of this hearing today, how was that effected?

A. It was by certified mail and also by publication. We have some unknowns.

Q. Okay. And where was it published?

A. In the Dickenson Star.

Q. On what day?

A. December the 24th, 2008.

Q. And you just testified we have unknowns in this unit, is that right?

A. Yes, we do.

Q. And have you tried to locate these parties?

A. Yes, we have.

Q. And what did you do?

A. Actually, it's Tract 18 is a cemetery. About a year ago, we had a vertical well located south...down the southwest corner of this plat there's several small tracts. We encountered these same tracts with a vertical well. These people in the early...in the 1940s deeded this cemetery, which included the oil and gas rights to L. H. Counts, Trustee, for the Arrington Cemetery. Since then, there has been no deeds or anything out of L. H. Counts, Trustee, even though there's additional owners that are up keeping the cemetery. They're not the record title owners.

Q. You have attempted to locate these parties, right?

A. Yes, we have. We've checked on the grounds.

Q. Okay. Did you check with neighbors---?

A. Yes.

Q. ---and everybody who would be involved, is that right?

A. That's correct.

Q. Okay. Have you filed proof of publication with the Board?

A. Yes, you have.

Q. Okay. And is Range Resources-Pine Mountain authorized to conduct business in the Commonwealth?

A. Yes, we are.

Q. Do we have a blanket bond on file?

A. Yes, we do.

Q. And if you were to reach an agreement with the unleased parties, what would be those terms?

A. Five dollars per acre for a five year lease that provides for a one-eighth royalty.

Q. Okay. Do you consider this to be fair and reasonable compensation for a lease in this area?

A. Yes, I do.

Q. And what percentage of the oil and gas estate is Range Resources-Pine Mountain seeking to pool?

A. .80%...eight tenths a percent.

Q. And with regard to this application, we've already testified we have some unknowns, is that right?

A. That's correct.

Q. So, there is an escrow requirement?

A. That's right.

Q. And have you submitted an Exhibit B with the application?

A. Yes, we have.

Q. And what tract or tracts are subjected to

escrow?

A. Tract 18.

Q. And what's the percentage?

A. It's .01%.

Q. Okay. Are you then requesting the Board to pool any unleased interests that are listed on Exhibit B-3?

A. Yes, we are.

Q. And if you should...any order that would be entered by the Board, what would be the address that would be used for making elections?

A. Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212.

Q. Attention?

A. Attention: Phil Horn, land manager.

Q. Okay. And should this be the address for all communications with regard to this pooling order for this unit?

A. Yes.

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

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSON

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Janson, again, state your name, by whom you're employed and your job description.

A. Gus Janson, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. And you participated in this application, is that right?

A. Yes, I did.

Q. Okay. Are you familiar with the total proposed depth of this well?

A. Yes, the depth is 8,789 feet.

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

A. 1 million mcf.

Q. Okay. And what's the estimated dry hole costs?

A. \$1,257,470.

Q. And you are familiar with the well costs, is that correct?

A. That's correct.

Q. I should have asked you that first. What's the estimated completed well costs?

A. \$2,173,296.

Q. We've submitted an AFE that was signed by Range Resources to the Board, is that right?

A. That's correct.

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

A. Yes, it does.

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

A. Yes, it would.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: No, sir.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

PEGGY BARBAR: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying  
yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's  
approved.

TIM SCOTT: Thank you.

BUTCH LAMBERT: The next item is a petition from  
Range Resources-Pine Mountain, Inc. for the establishment of  
unit and pooling of a conventional unit V-530112, docket  
number VGOB-09-0120-2458. All parties wishing to testify,  
please come forward.

TIM SCOTT: Tim Scott, Phil Horn and Gus Janson  
for the applicant.

BUTCH LAMBERT: Seeing no others, Mr. Scott, you  
may proceed.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. Phil Horn, land manager for Range Resources-Pine Mountain, Inc. and one of my duties is to get wells permitted and drilled.

Q. Did you participate in the preparation of this application?

A. Yes, I did.

Q. And what's the acreage that's encompassed by this unit?

A. 112.69 acres.

Q. And does Range Resources-Pine Mountain have drilling rights in this unit?

A. Yes, we do.

Q. Do we have any parties respondent to be released or dismissed from this application?

A. No, we do not.

Q. And---?

A. They're unknown.

Q. So, the...what's the percentage that Range Resources-Pine Mountain has under lease?

A. 91.46%.

Q. So, in this particular case, we only publish, is that right, because we have unknowns?

A. That's correct.

Q. And how was...how was publication effected

for this...notified, the parties respondent of this hearing?

A. It was published in the Dickenson Star on December the 24th, 2008.

Q. Okay. So, we do have unknown owners, is that right?

A. That's right.

Q. And have you tried to locate these individuals?

A. Yes, we have. Equitable, our partner, encountered this tract several years ago. They drilled some coalbed methane wells. Basically, if you look on the plat it's 10 acres of the unknown heirs of Oliver Hackney. In 1888, Alexander Hackney deeded the coal, oil and gas and mineral rights to Clinchfield's predecessor. They reserved 10 acres around the house of coal, oil and gas. Later on, I think in about 1906, they came back and they deeded...they deeded the surface of the 10 acres including the rest of Tract 1 to Clinchfield. So, therefore, these people they own...they own no surface and they haven't paid taxes in years. They're just...they've not...we can't locate them.

Q. But they still own the oil and gas?

A. Yes, they own it.

Q. Okay.

A. That's correct.

Q. And the surface has been severed, is that right?

A. The surface was severed over a 100 years ago.

Q. Okay. But you have made efforts...diligent efforts to locate these individuals, correct?

A. Yes, we have. We've checked on the grounds and we've checked the tax records...I mean, the records in Dickenson County and we can't find any trace of them.

Q. Okay. Now, have you filed the proof of publication with Mr. Asbury?

A. Yes, you have.

Q. Okay. And, again, is Range Resources-Pine Mountain authorized to conduct business in the Commonwealth?

A. Yes, we are.

Q. And is there a blanket bond on file?

A. Yes, there is.

Q. Now, if there's any way you could reach an agreement with these Albert Hackney heirs, what would be the lease terms you would offer them?

A. Five dollars per acre for a five year lease that provides a one-eighth royalty.

Q. And, again, is this your...in your opinion, would this be considered to be reasonable compensation for a

lease in this area?

A. Yes.

Q. And what percentage of the oil and gas estate is Range Resources-Pine Mountain seeking to pool?

A. 8.54%.

Q. And those are unknowns, right?

A. That's correct.

Q. So, we have an escrow requirement?

A. Yes, we do.

Q. And have you submitted an Exhibit E with your application?

A. Yes, we have.

Q. What tract or tracts are submitted to escrow?

A. Tract 6.

Q. And, again, the percentage?

A. 8.54%.

Q. With regard to any order that would be entered by the Board, would you ask...what would be the address that would be used for communications with the applicant?

A. Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212, Attention: Phil Horn, land manager.

Q. And, again, this should be the address for all correspondence?

A. Yes.

Q. And you are asking the Board to name Range Resources-Pine Mountain as the operator, is that correct?

A. That's correct.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSON

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. Gus Janson, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. And you're familiar with this application?

A. Yes, I am.

Q. Did you participate in the preparation of the application?

A. Yes, I did.

Q. Are you familiar with the proposed well depth for this unit?

A. Yes, the well depth for this proposed well is 6,280 feet.

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

A. 300 million cubic feet of gas.

Q. Are you also familiar with the well costs?

A. Yes, I am.

Q. And what is the estimated dry hole costs for this well?

A. \$350,088.

Q. And the completed well costs?

A. \$669,738.

Q. And we've submitted an AFE with the application, is that correct?

A. That's correct.

Q. And did you participate in the preparation of that AFE?

A. Yes, I did.

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

A. Yes, it does.

Q. And, in your opinion, would the granting of

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

A. Yes, it would.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's it.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's approved.

TIM SCOTT: Thank you.

BUTCH LAMBERT: The next item is a petition from

Range Resources-Pine Mountain, Inc. for establishment of unit and pooling of conventional unit V-530046. This is docket number VGOB-09-0120-2459. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: Seeing no others, Mr. Scott, you may proceed.

TIM SCOTT: Thank you, Mr. Chairman.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. Phil Horn, land manager of Range Resources-Pine Mountain, Inc. and I'm in charge of getting wells drilled and permitted.

Q. What's the...how many acres does this unit contain?

A. 112.69 acres.

Q. And does Range Resources-Pine Mountain have drilling rights in this unit?

A. Yes, we have...yes, we do.

Q. Are we dismissing anybody today?

A. Yes. We're dismissing Marsha Smith or Smyth. I'm not sure how she pronouncing it.

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

A. Yes, we have.

Q. What percentage of the unit does Range Resources-Pine Mountain have under lease?

A. 91.36131944%.

Q. Okay. Now, this particular unit we've...this has been ongoing as far as our notice is concerned, correct?

A. Yes.

Q. Because we originally sent out the notice with the application and then shortly thereafter we realized there were additional parties to be noticed, is that correct?

A. Yes.

Q. Okay. So, we sent out mailings on the date that the application was filed, but we also sent them out on December the 23rd, is that correct?

A. Right.

Q. Okay. So...but all parties who are entitled to receive notice received notice of this hearing, is that right?

A. That's correct.

Q. Okay. We also had an issue with our publication, is that correct?

A. Yes.

Q. Did the publication originally occur on December the 24th, is that right?

A. That's right.

Q. And Dickenson Star cut off half of the notice, is that right?

A. That's right.

Q. So, they cretaceously decided to run it again for us on December the 31st. So, we have two publications, is that right?

TIM SCOTT: So, that's why package is so thick, Mr. Asbury.

DAVID ASBURY: Thank you.

Q. So, we've provided proof of mailing and publication to Mr. Asbury, is that right?

A. That's correct.

Q. Do we have an unknown owners in this unit?

A. No, we have not.

Q. Okay. Now, we've asked you before, is Range Resources-Pine Mountain authorized to conduct business in the Commonwealth?

A. Yes, we are.

Q. And you do have a blanket bond on file, is that right?

A. Yes, we do.

Q. Okay. If you were to reach an agreement with the unleased parties, what would the terms be?

A. Five dollars per acre for a five year lease that provides a one-eighth royalty.

Q. And do you consider this to be reasonable compensation for a lease in this area?

A. Yes, I do.

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

A. 8.6386856%.

Q. And we just said a minute ago, we don't have any unknowns, is that right?

A. No, there's...all those people are unknown.

Q. Okay.

A. That's good.

Q. Lots of them.

A. Yes.

Q. But we...so, we don't have an escrow requirement, is that right?

A. No, we do not.

Q. Okay. Are you then requesting the Board to pool that interest of the parties listed on Exhibit B-3?

A. Yes, we are.

Q. And that Range Resources-Pine Mountain be named operator for this unit?

A. Yes, we are.

Q. Now, if an order is entered in this particular...for this application, what would be the address for all correspondence with regard to an order for elections?

A. Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24210, Attention: Phil Horn, land manager.

Q. And this is for all communication, is that correct?

A. That's correct.

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

BUTCH LAMBERT: Any questions from the Board?

SHARON PIGEON: Why is Ms. Smyth being dismissed?

PHIL HORN: She leased.

SHARON PIGEON: Thank you.

BUTCH LAMBERT: Any other questions?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSON

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Janson, again, state your name, by whom you're employed and your job description.

A. Gus Janson, I'm employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. Did you participate in the preparation of this application?

A. Yes, I did.

Q. And with regard to the proposed well depth, what would that be?

A. The proposed depth of this well is 6,913 feet.

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

A. 300 million cubic feet of gas.

Q. Did you also participate in the preparation

of the AFE that was filed with the Board?

A. Yes, I did.

Q. And what is the estimate dry hole costs for this unit?

A. \$359,685.

Q. And the estimated completed well costs?

A. \$720,115.

Q. And you just testified you assisted in the preparation of the AFE, is that right?

A. Yes, I did.

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

A. Yes, it does.

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

A. Yes, it would.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do you have anything, Mr. Scott?

TIM SCOTT: No, sir.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion---.

PEGGY BARBAR: Motion to approve.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second. Any further discussion?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's approved.

TIM SCOTT: Thank you.

BUTCH LAMBERT: The next item is a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530016. This is docket number VGOB-08-1118-2388-01. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: Seeing no others, Mr. Scott, you may proceed.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, we had previously had approval for a well location exception for this unit, is that right?

A. That's correct.

Q. Okay. And you're familiar with this application, is that correct?

A. Yes, I am.

Q. Okay. What exactly happened here?

A. Our field guys went out there on the grounds. There's no way we could get a legal location. He went out there during the summer and we initially flagged and surveyed the well. The foliage was on the trees. We went back out to get ready to look at constructing it and he determined if we moved it 40 or 50 feet that it would be a lot safer and more of a better location.

Q. But as far as the...so, the testimony previously about the offsetting wells and so on, that's all the same, is that correct?

A. Yes, the same four wells are affected.

Q. And what are those wells, Mr. Horn?

A. 550450, P-391, P-435 and P-153.

Q. Okay. And who operates those wells?

A. Those wells are operated by Equitable  
Production Company.

Q. And you all participated in that as well,  
is that right?

A. Yes, we also participate in those wells.

Q. Okay. So, we've renotified, is that  
correct?

A. That's correct.

Q. And we've filed proof of mailing with Mr.  
Asbury, is that correct?

A. Yes, you have.

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

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

GUS JANSON

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Janson, would you please state your  
name, by whom your employed and your job description,  
please.

A. Gus Janson, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

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

A. Yes, I did.

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

A. Yes, if the Board will, again, refer to Exhibit AA, you'll see the location of proposed well 530016, which is centered basically between the cluster of four surrounding wells. In an attempt to recover the resource and the stranded acreage of 79.76, the well is being positioned where it is at this point primarily due to topographic reasons. We've gotten down in near the valley bottom. If we go either to the east or to the west, we'll be up on the side of the hill. Additionally, to the northeast we have the potential to do another down spaced well in the future too by keeping the spacing where we've got it positioned here.

Q. What's the proposed depth for this well?

A. 6,230 feet.

Q. And what would be the potential loss of reserves if the application is not granted today?

A. 500 million cubic feet of gas.

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

A. That's correct.

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

BUTCH LAMBERT: Questions from the Board?

SHARON PIGEON: Was the 500 million cubic feet?

GUS JANSON: Yes.

BUTCH LAMBERT: Mr. Janson, what about the little area between 435 and 153 and 530016?

GUS JANSON: Again, we've talked about...we revisited this location and we've actually got the location in the best environmentally site...position that we could without creating more disturbances. There's a small drainage that comes out from the northeast of that. If we try to go further to the southeast, we would be in the middle of that drainage area and we were trying to stay out of that area right there. If you go further away, you're going to create the same situation to the northwest. Just also to clarify, there will be some payment of overlapping units in here on both the 500 foot and the 1200 foot acres...1250 foot units.

BUTCH LAMBERT: That little small area we're

talking about stranded?

GUS JANSON: Stranded unless we go to...unless we continue to have success on the extreme location down spacing attempts that we've done in the past. We've done some on that and some are favorable and some are not at this point. So, it's probably going to be a case by case basis.

PHIL HORN: With circles, it's impossible not to leave these little edges, Mr. Lambert.

TIM SCOTT: But this is topographic, is that right, Mr. Janson?

GUS JANSON: That's primarily why we spotted it where we did in this case, yes.

BUTCH LAMBERT: That was really my question. Just topographic reason and it's the best place. Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: No, sir.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BUTCH LAMBERT: Do I have a second?

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. Are there any further discussions?

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying  
yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott.

TIM SCOTT: Thank you, sir.

BUTCH LAMBERT: It's approved.

GUS JANSON: Thank you.

PHIL HORN: Thank you.

BUTCH LAMBERT: The next item on the agenda is the  
review and approval of minutes from the December the 9th,  
'08 meeting. Has everyone had a chance to review those  
minutes?

(No audible response.)

BUTCH LAMBERT: Do I have a motion to accept?

MARY QUILLEN: I...there are some---

DAVID ASBURY: There are some changes that Ms.  
Quillen submitted.

MARY QUILLEN: ---changes that I gave to---

DAVID ASBURY: I'll have those corrected and  
resubmitted.

BUTCH LAMBERT: Okay.

DAVID ASBURY: It did reflect that Ms. Quillen was present at the meeting and she was not and that was the meeting that we held in Lebanon instead of Abingdon. So, that was incorrect as well.

BUTCH LAMBERT: Do I have a motion to accept the minutes with the changes submitted to Mr. Asbury?

PEGGY BARBAR: Motion to accept.

BUTCH LAMBERT: Do I have a second?

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and second. All in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: The minutes are accepted with the changes submitted to Mr. Asbury. Any other items for today before we close?

(No audible response.)

BUTCH LAMBERT: Nothing further, this meeting will be adjourned.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 12th day of February, 2009.

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NOTARY PUBLIC

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My commission expires: August 31, 2009.