

IN THE COUNTY OF RUSSELL:

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

OCTOBER 20, 2009

APPEARANCES:

**BOARD MEMBERS:**

MARY QUILLEN - PUBLIC MEMBER  
KATIE DYE - PUBLIC MEMBER  
DONNIE RATLIFF - COAL REPRESENTATIVE  
BRUCE PRATHER - OIL REPRESENTATIVE

**CHAIRMAN:**

BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD

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

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BUTCH LAMBERT: Ladies and gentlemen, it's time to begin our meeting for the morning. I'll ask you to take your seats, please. Good morning. This morning I would ask that if you have electronic devices, pagers or cell phones to please turn them off or put them on vibrate. We are recording these proceedings and those electronic devices interfere with our recordings this morning. At this time, I'd like to take the opportunity to ask the Board to please introduce themselves beginning with Mr. Ratliff.

DONNIE RATLIFF: Donnie Ratliff. I work for Alpha Natural Resource representing coal.

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

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

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

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

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

DIANE DAVIS: I am Diane Davis with the Division of Gas and Oil.

BUTCH LAMBERT: And also we have David Asbury with the Division of Gas and Oil, who is the Staff to the Board. He's out in the hall. He will be in in just a minute. Also this morning, I would like to take the opportunity to introduce the Director of the Department of Mines, Minerals and Energy from Richmond. Mr. Steve Walz is with us this morning. Glad to have you Steve.

STEVE WALZ: Thank you.

BUTCH LAMBERT: At this time, we'll enter into public comment. Those wishing to speak have...probably have...should have signed up. The name that I have this morning is Ronnie Osborne. Mr. Osborne, would you please state your name for the record.

RONNIE OSBORNE: I am Ronnie Osborne. I have questions about the Stilwell Heirs that they was supposed to get back to me with this morning and questions about the horizontal wells that drilled in to the coal seams, about meters on them wells and permits. Do they get permits for all the wells that are drilled into the coal seams? Is that law? Do they have to have permits for all wells underground? I'm asking the Board that. Another question that I had asked David Asbury that he was supposed to get back with me on. He said in one meeting that they were dumping brown water into VP5. Well, VP5 and VP6 is cut

together. They're wanting to dump the water out of Buch 1 into the river. Well, if you dump brown water into VP5 and VP6 and the strata is all broke, your water is going to run altogether and you're going to be dumping the same water back out into the river. I mean, I don't know that that's going on. I just heard it in meetings. I'm asking if that's true. If the Board or somebody would check in on that to make sure that the water is being treated if it's going to be dumped into the river.

BUTCH LAMBERT: Well, we can't answer that question for you, Mr. Osborne. That's...water...brown water is not an issue that this Board can address as related to underground mining.

RONNIE OSBORNE: Who do I go to?

BUTCH LAMBERT: That's handled through our Division of Mine, Land and Reclamation and our Division of Mines in Big Stone Gap.

RONNIE OSBORNE: Well, what about a creek that has changed colors. My brother went by the other day and breathed and got something in his lungs. He stayed sick for about three weeks over it. Who checks the water from the wells and things like that? Does the Board have anything to do with that?

BUTCH LAMBERT: Do you know it was from a well?

RONNIE OSBORNE: I have no idea. It's an air shaft that Buch 1 has shutdown.

BUTCH LAMBERT: Again, Mr. Osborne, this Board cannot answer those questions.

RONNIE OSBORNE: That's all my questions.

BUTCH LAMBERT: Okay, thank you.

RONNIE OSBORNE: There's nothing hide that won't come out. There's nothing hide that won't come out. There's nothing in the dark that won't come to light. I feel like old Moses did when he went down in Egypt to try to help the little people.

BUTCH LAMBERT: Juanita Sneeuwjagt.

JUANITA SNEEUWJAGT: Good morning, everybody. Good morning, Board. My name is Juanita Sneeuwjagt. I president of the Committee for constitutional and environmental justice. On October the 5th, I was called by David and Tina White to come to Bear Ridge and view the accident site where Mr. Richard Shank lost his life on September the 29th. According to the Whites---

BUTCH LAMBERT: Ms. Sneeuwjagt?

JUANITA SNEEUWJAGT: Yeah, sir.

BUTCH LAMBERT: I need to stop you at this point.

JUANITA SNEEUWJAGT: Okay.

BUTCH LAMBERT: This Board does not have any

jurisdiction over this accident. I would ask out of respect to the family, since this is an ongoing investigation that you not discuss this fatality with this Board.

JUANITA SNEEUWJAGT: Very well. I only intended to discuss my...what I witnessed on that mountain. If that's your decision---

BUTCH LAMBERT: Yes, ma'am. This fatality is still under the investigation of the Department of Labor and Industry and not this Board or our Division of Gas and Oil.

JUANITA SNEEUWJAGT: Very well. Then would you mind reading what I wrote at your convenience?

BUTCH LAMBERT: Yes, ma'am. We will.

JUANITA SNEEUWJAGT: Thank you.

BUTCH LAMBERT: We have read it. We saw it in the paper last week.

JUANITA SNEEUWJAGT: Thank you.

BUTCH LAMBERT: I'm sorry, Catherine Jewell.

CATHERINE JEWELL: I'm not sure if it's worth the time to sit down. I'm not too sure if this under something you all actually purview. I'd like to know the status of the questions submitted to Mr. Asbury in June, okay.

BUTCH LAMBERT: I can answer that for you. He has assured me he will have those ready by the November meeting.

CATHERINE JEWELL: Okay. Is that the entire

questions that will be responded to?

BUTCH LAMBERT: Yes.

CATHERINE JEWELL: Thank you very much. This is an aside. The Board has discretion here. I would like to ask the Board to please require the speakers, specifically the highly paid attorneys, that appear before this Board to question their clients and witnesses to speak up so they can be heard and to stop the mumbling and droning. It is disrespectful to the audience, in addition to your clients. I think you know who I'm talking about.

Third, if the Board is going to continue to allow attorneys to testify, they really need to be under oath.

Four, I would like to encourage the DGO and the Board to check the payments made into escrow with the full disclosure statements. The operators are required to provide to the Board and those receiving disbursements. That is the record of payments including volume, gas and payment...and payments deductions should they be carried or participating operators and the payments, the interest and the bank charges and to be sure that the affidavits or split agreements signed by those receiving disbursements are included. It is the Board's name that appears on these disbursements and the Board, that I would assume, would have the responsibility for any errors.

Five, I would like to state again that the top priority with respect to the escrow accounts should be to arrange these accounts in such a manner that the entire amount is FDIC insured. It is inconceivable that 25 million dollars is FDIC insured for \$250,000. One cent for every dollar in that account.

Six, I've done some update production of horizontal wells. The cost of these wells, the amount of water needed to frac these wells, the amount of space required for these wells, the effects on the surface owner, the gas owner, the coal owner and the environment and what these wells are producing does not justify it. I brought this up before. These are a lose/lose proposition. Some of these wells, the good wells...and I can't see any of this data is improving. The first or second month starts off with the highest amount and it goes down from there so that by the time you get to about a year into it, you're about...the good ones, five thousand. Those are the good ones. I have a graph on this to hand out to some of you.

The other thing I'd like to show you is a comparison of the sale price reported on statements within index prices. This is 2001 through 200...through the first six months of 2009. I think you will find this very interesting. In this comparison you will see, can I get up

and you be able to record me here? You will see that the difference in the Dominion price and the CNX price, and I've discussed this with you before, from 2003 to 2005 was anywhere from 25% to 28% different. So, that's in addition to post production. This shows Appalachian Energy is taken...since 2005 has taken anywhere from 9% to 12% off the price shown on the royalty statement. Equitable Production has done the same thing. Cabot, for example, in 2001 had 7%, but then they had a lawsuit. So, Cabot right now is actually paying higher than the Dominion price because they lost that lawsuit. What's going on here is nothing but criminal. The other thing I would like to say is CNX had to cap their gas for 2009 at \$9.74. What's fascinating is while like in 2005 they paid \$2.51 difference price. Now that they've hedged their gas in the positive direction, royalty owners are only being paid a Dominion price. I've done the calculations on what the price should be for half their gas hedged. So, the royalty owners, in essence, suck it up when they hedge low and suck it up when they hedge high. I don't really think...well, you know how I feel about the total lack of oversight for all of these...everything that has happened here. But, anyway, I'll show you this and maybe it will, I don't know, encourage somebody to perhaps investigate, check into it,

check what your obligations are to the people of Virginia.  
I appreciate it.

(Ms. Jewell passes out exhibits.)

CATHERINE JEWELL: Thank you.

BUTCH LAMBERT: Thank you, Ms. Jewell.

JERRY GRANTHAM: Mr. Chairman, could I respond to a couple of comments that Ms. Jewell has made?

BUTCH LAMBERT: Mr. Grantham, you weren't on our public comment list.

JERRY GRANTHAM: Okay.

BUTCH LAMBERT: But I allowed Ms. Sneewaught to write in. So, I'll allow you.

JERRY GRANTHAM: Thank you very much. Specifically, I would like to address...my name is Jerry Grantham. I work for Range Resources. I would like to specifically comment on the...Ms. Jewell's statement that the economic wells are A) uneconomic, B) detrimental to the environment, C) detrimental to the coal; and overall that the Board...I think she is saying that the Board should not be supportive of our efforts to develop a resource.

We've been in front of the Board many times and presented a lot of testimony that I think very clearly demonstrates the benefits of horizontal drilling. The technology that's being used all over the world to unlock

the potential of resources, specifically shales that really are not economic from a vertical standpoint. We have been doing this now in Virginia for about a year and a half. We are still in a learning curve. I will admit that. We still have a ways to go. But to make the statement that these wells are uneconomic as they stand today is clearly false. My company has been the leader in drilling horizontal wells in Virginia. I think the Board knows that. To date, we've drilled about thirty wells testing different horizons. In my opinion, it benefits everybody. It benefits certainly us as a working interest owner. I can tell you that if this were a black and white issue and clearly uneconomic after thirty wells, I probably wouldn't be sitting here in front of you today. Someone else would be. It clearly benefits the royalty owners in basically tapping the resources that would not be economic vertically. The royalty owners are getting payment on this. The state is getting severance. The counties, I think, are benefitting from the additional work that we see and the services that are provided. We run economics on every well we drill. I will say, there are some that are uneconomic. There are some that are better than we predict. That's the nature of this business in Virginia. We drill wells everyday. Some are good and some are bad. At the end of the day, what we're after is an

average well. We still have a ways to go in the learning curve. But clearly, I think we're drilling economic wells and we have plans to continue drilling next year horizontal wells. So, I think that in itself indicates that we like what we see and that we want to move forward with the program. To my knowledge, Ms. Jewell doesn't have any interest...working interest in any wells. I certainly would like to sit down and talk to her about this and look at her economics and would be more than happy to do that. Thank you.

BUTCH LAMBERT: Thank you, Mr. Grantham. In the last year, this Board has heard from citizens and stakeholders in regards to the transparency of charge backs or better known as post production costs. As Chairman of this Board and as a result of the comments that we have been hearing of the last year. I'm asking that this Board consider in addition to the Board language, that would add some transparency of these charge backs or post production costs. And what we are asking for, this addition to the Board orders, to be a list of specific deductions taken from the gross royalty payments to individual force pooled by the Board. At this time, the Board is going to request that the Staff of the Board compile and present a list of items that should be listed on these payback statements. We would also

like to see common definitions and common terms. We'll use this for the Board's consideration at the November meeting. So, in essence what we're asking...this Board is asking the staff to do is to work with the industry to come up with a listing of these charge backs that folks can understand when they receive their checks. We know that's been an issue over the years. This Board has heard it and heard it. So, by this and having that list back to us in November, the Board will review that list and see if there's some commonality among the companies that every individual will be able to tell when they look at their paychecks or their pay stubs of what their charge backs will be. Our goal is to review this information that we receive at the November meeting and then have something in place at least December and no later in the January meeting. I would like to open that...those statements up for comments from the Board or discussions from the Board.

MARY QUILLEN: Mr. Chairman, there's just---

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---one thing that I would add. We've had this conversation a number of times and I know that we have had some question is also identifying the unit and the wells because I know a lot of the gas owners have interest in numerous wells and not being able to identify

what's been paid on which wells, I think, would be important to include in that.

SHARON PIGEON: It wouldn't be on the order. That would be on the---

MARY QUILLEN: Oh.

SHARON PIGEON: ---check stub.

MARY QUILLEN: Right. Right.

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

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: The few stub I've seen are these outside royalty owners. The biggest problem I can see with it is there have been awful lot of lumping of charges. In other words, you have say five or six wells and just kind of lump the charges against the whole instead of specifically making it for individual wells. I think that if you're going to do this, I think it has to be on an individual wells basis since any type of a lumping system that has been used in the past.

BUTCH LAMBERT: Any other comments?

(No audible response.)

BUTCH LAMBERT: Mr. Asbury, we'll charge you to work with the industry to have this ready for our November meeting.

DAVID ASBURY: Yes, sir. I'll be glad to.

BUTCH LAMBERT: The next item on the agenda is the Board will receive a quarterly report on the escrow account.

DAVID ASBURY: Ladies and gentlemen, you have a handout with the summary of the ending of the third quarter of the escrow account from Wachovia Bank. The escrow account shows an ending balance of \$24,402,636 at the end of September, 2009. I would call your attention to the 2009 year-end balance. At the beginning of the year, we had \$23,983,291 as a beginning value at January 1. Payments from gas producers to the escrow account has totaled \$1,541,436 into the account. There has been a net income loss of \$14,950 as interest income has not matched escrow fees. This is total disbursements through the third quarter. There has been \$1,107,141 disbursed from the escrow account. As Mr. Harris questioned last October, he was questioning about our disbursements. We have made and you as the Board have made the disbursements a priority. We initially had set our goal at \$1,000,000 in disbursements for 2009. We have exceeded that disbursement level and have three months remaining. We're continuing and hope to even do better in the fourth quarter as additional disbursements come before you and we at the Division are able to expedite disburse orders. As the summary reflects, Staff has received from gas producers and have been able to disburse

\$1,107,141 this year. That gives an ending balance of \$24,402,636.

BUTCH LAMBERT: \$24,000,000.

DAVID ASBURY: \$24,sorry,402,636 as of September 30, 2009.

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Just...Mr. Chairman, just a comment---

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---to Mr. Asbury and his staff. What an excellent job you have done in processing these disbursements and to the industry folks who have been very diligent about bringing those items to the Board's agenda and getting these paid. I'm certain that the owners are appreciative of everybody's effort.

DAVID ASBURY: Diane and I thank you.

BUTCH LAMBERT: Other questions or comments?

(No audible response.)

BUTCH LAMBERT: Okay. The next item on the agenda is a petition from GeoMet Operating Company for pooling of coalbed methane unit Rogers 281, unit A-43, docket number VGOB-09-0616-2531. All parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, on behalf of GeoMet

Operating Company, my name is Tom Mullins with the Street Law Firm in Grundy. We'd like to ask the Board to withdraw this application.

BUTCH LAMBERT: Okay. That will be withdrawn. Thank you. The next item is a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BC-90, docket number VGOB-09-0818-2576.

MARK SWARTZ: Good morning. I think it might make sense to move that...we have five or six a little later on the docket and like GeoMet go forward on all of theirs and I think we would be up next and do them all at once rather than coming back, if that works.

BUTCH LAMBERT: It works for us.

MARK SWARTZ: Okay with you, Tom?

(No audible response.)

JIM KAISER: Mr. Chairman, also as a matter of housekeeping, regarding item number five on the docket, we could go ahead and move that to...it would be number eighteen and ours would all be in a roll and we'd also ask that you call item number twenty-two and we would ask that...we're going to ask for a continuance on that one.

BUTCH LAMBERT: We'll move item five to in front of eighteen.

JIM KAISER: Yes, sir.

BUTCH LAMBERT: And what was the other one.

JIM KAISER: Item twenty-two. If you want...we can wait until we get there, but we're going to continue that one if that help you.

BUTCH LAMBERT: Do you want a continue it---?

JIM KAISER: Yes, sir.

BUTCH LAMBERT: ---until November?

JIM KAISER: Until November.

BUTCH LAMBERT: Okay. Let me call that one and then we'll continue it. Item twenty-two is a petition from EQT Production Company for the establishment of a provisional drilling unit consisting of 320 acres for the drilling of horizontal conventional gas wells, docket number VGOB-09-1020-2619, continued until November. Okay. The next item on the agenda is number five. A petition...I'm sorry. A petition from GeoMet Operating Company for pooling of coalbed methane unit Rogers 422, unit E-33. This is docket number VGOB-09-1020-2601. All parties wishing to testify, please come forward.

TOM MULLINS: Mr. Chairman, representing GeoMet Operating Company, Tom Mullins and Pebbles Deel with the Street Law firm in Grundy, Virginia.

DALLAS NESTLE: Dallas Nestle, GeoMet Operating Company, project manager.

RYAN CARTER: Ryan Carter, drilling and completion manager for GeoMet.

TIM BLACKBURN: Tim Blackburn. I'm a consultant for GeoMet.

TOM MULLINS: Mr. Chairman, just by way of explanation, agenda items number six through eleven are on this Board's docket these items have been...these units have been pooled by GeoMet previously. What has happened since that time, there has been some delay and some litigation that has now been resolved. But due to this delay, some mining concerns have stepped in and asked that the well locations be moved from where this Board has approved previously in the prior applications. So, what we're asking for today for all of these is that the Board look at our new locations and consider those. If appropriate, grant approval for these new well locations. Since the Board approved those applications with well locations, it's my understanding that it's your alls procedure you'd like to look at those and approve those once again since it was on the prior applications. I don't know if it make sense to consolidate all of these into one. If it is, then we can certainly do that. We're ready to go on all of them as one presentation of evidence.

BUTCH LAMBERT: Let me ask a question, are we

planning a well location exception for each item...docket item?

TOM MULLINS: There's only two wells locations that are outside the drilling window. All of the others have just been moved within the window due to mining concerns.

BUTCH LAMBERT: Okay. I think that the Board should hear each one of those. We would like...we need to hear why you're moving it and consider the location that you're going to be moving to. Okay?

TOM MULLINS: That will be fine.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: Would the acreage be changed on these new units? I mean, like the original one had maybe different percentages and this that and the other. Would that change?

SHARON PIGEON: They could tell you that.

BUTCH LAMBERT: I think that's a question we're going to have to ask them on each one. That's why I think it's important that we hear each one.

TOM MULLINS: There's only one that has a change in the acreage. Everything else is the same on these units. Actually, the AFEs on most of them have gone down because prices have gone down since the Board previously approved them. At this time, I'd like to ask Mr. Blackburn to

introduce himself to the Board and explain these exhibits.

(Tim Blackburn is duly sworn.)

TIM BLACKBURN

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

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Would you please state your name?

A. Tim Wesley Blackburn.

Q. And what do you do for a living, sir?

A. I'm a consulting geologist.

Q. And you have testified before this Board on prior occasions and your testimony has been accepted as a geologist, is that correct?

A. Yes.

Q. And you have worked with the various interest...mining interests and GeoMet concerning well 422 and unit E-33, is that correct?

A. I have.

Q. And the exhibits that I just distributed to the Board, could you explain to the Board what those exhibits shows and let's start with the one on...the first one that's stapled?

A. This exhibit shows, as you see, of surrounding units. The subjected well being here along with mineral lines and it just shows the surrounding unit ownership. The next exhibit---

TOM MULLINS: Before you proceed, could we label this top sheet with an Exhibit letter or number? Whatever the Board prefers.

SHARON PIGEON: AA.

TOM MULLINS: AA.

Q. All right. Now, let's go to BB, the next page, which is a topographic map.

A. This exhibit is just the unit and the subject well itself shown on a topographic map just for illustration of land features and so forth.

Q. All right, sir. The next one we'll label as CC. Could you explain to the Board what that shows?

A. This is a plat showing the mining projections. This happens to be perceived in the legend, the Jawbone seam. This is more recent mining that has been proposed by Jewell Smokeless. These are mains, which are shown right here. Those are the development mains and future mine plans are forth coming according to Jewell.

Q. All right. The last exhibit, which we'll call DD, what does it show?

A. This is the Red Ash seam. These existing abandoned mine works.

Q. All right. And why was this well location changed?

A. The well location...do you want to introduce these others?

Q. Sure.

MARY QUILLEN: Mr. Chairman, may I ask a question about this?

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: These exhibits, this...these are the exhibits showing it as it currently---?

TOM MULLINS: As we're asking it to be.

MARY QUILLEN: You want changed to?

TOM MULLINS: Yes, ma'am.

MARY QUILLEN: Well, it looks...from what we have it looks like it's changed very little.

TOM MULLINS: We're handing out right now an exhibit that shows where the old location was versus where we're asking it to be moved to. We'll call that EE.

Q. Could you explain to the Board what EE shows?

A. Again, this is the Jawbone scene. At the first pooling petition was done, there was no certain mine

plans in this area. Since that time, Jewell Smokeless has proposed a new portal in the area for these development mains shown relatively close to the former well location. They have other plans in the area. What we had done was moved our well as far as northeast as possible to avoid future changes in mine plans essentially is what happened to this location.

Q. And is that at the request of Jewell Smokeless?

A. That is, yes.

TOM MULLINS: Answer any question any Board member may have.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Mullins?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

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, but Butch Lambert.)

BUTCH LAMBERT: Opposed.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins. It's approved. The next item is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 198, unit B-43, docket number VGOB-09...I'm sorry, -09-1020-2602. All parties wishing to testify, please come forward.

TOM MULLINS: Tom Mullins and Pebbles Deel representing GeoMet Operating Company, Mr. Chairman.

DALLAS NESTLE: Dallas Nestle, GeoMet Operating Company, project manager.

RYAN CARTER: Ryan Carter, drilling and completion manager for GeoMet.

TIM BLACKBURN: Tim Blackburn, consultant for GeoMet.

BUTCH LAMBERT: You may proceed, Mr. Mullins.

TIM BLACKBURN

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Blackburn, would you please for this

record on this matter, state your name?

A. Tim Wesley Blackburn, consulting geologist for GeoMet.

Q. All right, sir. And you are familiar with unit B-43, is that correct?

A. I am.

Q. And like the last hearing, we've handed out a packet of plats. Do you have a copy of that before you?

A. I do.

Q. All right, sir. Could you explain to the Board first sheet that we'll call AA?

A. Well, this plat shows the subjected unit, it will be well 198, unit B-43 and the surrounding units where mineral lines and ownership.

Q. All right, sir. Exhibit BB on the next page.

A. It's just the unit and well shown on topographic map.

Q. All right, sir. The next page, which we'll call Exhibit CC.

A. This is a plat showing existing and abandoned mine works in the Red Ash seam.

Q. All right, sir. And Exhibit DD.

A. This is a plat for the Jawbone Seam showing

the well location and the mine works you see here those are active works are currently been ventilated.

Q. All right, sir. Now, we're handing out at this time another exhibit, which I think you have prepared, which we'll call EE, could you explain to the Board what this exhibit shows?

A. This exhibit, again, is for the Jawbone mine. The well location is shown with a circle is the former well location, which was earlier pooled. What has happened, at the time of pooling Jewell Smokeless was mining in the area, but they were some year and a half or two years away from this current location. They have since mined within about 75 feet or so of the proposed well spot. In meeting with Jewell, they requested that we move our location to be further away from their mine works. Due to topography was a big concern and relocating this well. But the distance that we agreed with is shown in the red and that's the current location of well 198.

Q. Again, this was to accommodate mining concerns?

A. That's correct.

TOM MULLINS: I don't have any other questions of you, Mr. Blackburn. Answer any questions that the Board may have, please.

BUTCH LAMBERT: Let me refer you back to Exhibit DD. I assume those cross hairs the original well location. Look on D.

TIM BLACKBURN: BB is the new or...BB?

BUTCH LAMBERT: DD. Dog, dog.

TIM BLACKBURN: Which one is that? Yes, those are the original well locations. I'm sorry...I'm sorry, no.

BRUCE PRATHER: That's the new one.

TIM BLACKBURN: Those are the new locations. Thank you.

MARY QUILLEN: Mr. Chairman, just one question. You did say this is active mining, right?

TIM BLACKBURN: That is correct. Active in the sense that they have mined this area in the last couple of years, I'll say and the mine works are ventilated. So, we consider it active.

MARY QUILLEN: I gotcha. Thank you.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Mullins?

TOM MULLINS: Pardon, sir?

BUTCH LAMBERT: Anything further?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do I have a motion?

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: The Board is hearing testimony about the well locations, but this is a new pooling as well. The original pooling has expired. Some of these have expired. Does the Board not need to hear that pooling testimony?

TOM MULLINS: Mr. Chairman.

DAVID ASBURY: Just a question.

TOM MULLINS: Those were on appeal. Those are stayed under Board regulation while they are on appeal. So, I don't think the Board has to reconsider the pooling application. These matters have just been released from the Circuit Court. So, they were told any matter involving that were told while they were pending. It was my understanding. You can certainly ask your Counsel.

SHARON PIGEON: He's correct.

DAVID ASBURY: I stand corrected.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

(No audible response.)

DONNIE RATLIFF AND MARY QUILLEN: Motion to approve.

DONNIE RATLIFF: 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.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins. It's approved. The next item is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 199, unit D-43, docket number VGOB-09-1020-2603. All parties wishing to testify, please come forward.

TOM MULLINS: Representing GeoMet Operating Company, Tom Mullins and Pebbles Deel with the Street Law Firm.

DALLAS NESTLE: Dallas Nestle, GeoMet Operating Company, project manager.

RYAN CARTER: Ryan Carter, drilling and completion manager for GeoMet Operating.

TIM BLACKBURN: Tim Blackburn, consultant for GeoMet.

BUTCH LAMBERT: You may proceed, Mr. Mullins.

TOM MULLINS: Thank you, sir.

TIM BLACKBURN

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Blackburn, would you please state your name and what you do for a living?

A. Tim Wesley Blackburn, consulting geologist.

Q. All right, sir. And on behalf of GeoMet Operating Company, are you familiar with unit D-43?

A. Yes, I am.

Q. All right, sir. We've handed out to the Board a plat showing a well location for that unit. Could you please go over the Exhibit AA, which is the top sheet, please?

A. This is a plat showing the subjected unit and well and surrounding units for the mineral ownership shown.

Q. All right, sir. And the next page, Exhibit BB?

A. This a plat showing the well and unit with

a topographic map.

Q. All right, sir. CC?

A. CC is a plat showing mine works in the Red Ash seams, which is affecting this well location.

Q. And Exhibit DD?

A. This is also mine plat for the Jawbone seam showing proposed mining and active mining.

Q. Do you have another exhibit for us to hand out, sir?

A. Yes. There's two of them.

(Exhibits are handed out.)

Q. Okay. The exhibit just handed with the Red Ash mine works, we'll call EE. Could you explain to the Board what this says?

A. This exhibit shows receipt of the open circle, the former well location versus the red well symbol, which is the current proposed location. The outline mine you see here are abandoned works in the Red Ash seam. The area you see to the west side of the unit, those are active mine works in the Red Ash.

Q. All right. And the next exhibit, which is listed Jawbone Mine Works map, which I'll ask the Board to label as Exhibit FF, could you explain what that shows?

A. The same thing except for the Jawbone seam.

The circle is the former well location. You can see that these are projected mine works here. These projections have changed somewhat since this well location was first proposed. The mining is now projected closer to that location. In discussing this with Jewell Smokeless, they had asked us to try to relocate this well to get it further from their proposed mining, which is how we came up with the current location.

Q. All right, sir. And the first Exhibit AA shows the property ownership for the adjoining tracks as being LBR Holdings property Tract #2?

A. Yes, it does.

Q. Okay. What were the reasons...all the reasons that GeoMet has for asking that this well location be moved to what is shown in Exhibits AA through FF?

A. This well location, and we need to probably look at Exhibit BB as well, which is a topo map that has got this thing in better perspective, not only are we dealing with these current mine plans, but as you look and try to relate to the topo map, we have moved this well closer to the creek, basically, Lynn Camp Branch to be nearer to crop line from the Jawbone at the request of Jewell so that they could plan future mining. More or less the new location is outside their mining interest area.

Q. So, their location is selected is based upon mining concerns expressed by Jewell Smokeless Coal Corporation?

A. It is.

MARY QUILLEN: Mr. Chairman, just one clarification. You moved it from the interior window to outside of the window, correct?

TIM BLACKBURN: Yes.

MARY QUILLEN: Okay. Is this one you were referring to earlier?

TOM MULLINS: I think there's one more.

TIM BLACKBURN: There's two of these.

BRUCE PRATHER: Is this the one that will have a difference in the acreage breakdown?

TOM MULLINS: No, sir.

BRUCE PRATHER: Okay.

TOM MULLINS: That's the last one.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Mullins?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

DONNIE RATLIFF: 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.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

TOM MULLINS: Thank you, sir.

BUTCH LAMBERT: The next item is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 200, unit D-44, docket number VGOB-09-1020-2604. All parties wishing to testify, please come forward.

TOM MULLINS: Representing GeoMet Operating Company, Tom Mullins and Pebbles Deel with the Street Law Firm.

DALLAS NESTLE: Dallas Nestle, GeoMet Operating Company, project manager.

RYAN CARTER: Ryan Carter, drilling and completion manager for GeoMet Operating.

TIM BLACKBURN: Tim Blackburn, consultant for GeoMet.

BUTCH LAMBERT: You may proceed, Mr. Mullins.

TOM MULLINS: Thank you, sir.

TIM BLACKBURN

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Blackburn, would you please state your name and your occupation, please?

A. Tim Wesley Blackburn, consulting geologist.

Q. And are you familiar with unit D-44?

A. I am.

Q. And at the request of GeoMet, did you do work from both the prior and current proposed well locations?

A. I did.

Q. Could you explain to the Board what is depicted in Exhibits AA, BB and CC, which have been handed out to the Board?

A. The first Exhibit AA is the subjected unit and well shown with the adjoining units along with mineral

ownership and mineral lines.

Q. All right, sir. BB?

A. The second is the D-44 unit and well 200 shown on a topographic map.

Q. And CC?

A. CC is a plat showing existing and abandoned mine works in the Red Ash seam in relation to the well.

Q. All right, sir. And we're handing out to the Board now an exhibit for the Red Ash mine works showing the prior well location as well as a new location. Could you explain...which we will call DD. Could you explain to the Board what that plat shows? This is the Red Ash mine works map?

A. Right. In this plat is stated the Red Ash works. These outlines are, again, abandoned mine works in the Red Ash. The open circle shows the former well location. I see we have a topo. That should read former well location instead of dwelling radius. Excuse that, please.

Q. All right. You would wish to amend that on the exhibit that we've handed out to show former well location?

A. Yes.

Q. Okay.

SHARON PIGEON: Which exhibit?

TOM MULLINS: That's Exhibit DD. I think we may have the same change when we get to EE.

A. Yeah.

Q. All right.

A. Proof it a 100 times. But the red symbol shows the current proposed location. There's a couple of reasons for this. Well, more than a couple. But we're trying to find a better location for this well to avoid drilling through the abandoned Red Ash works. If you look at the next exhibit, which is the Jawbone mine works.

Q. Which we will call EE.

A. And we need to correct the former well location notation there. As you see currently it is blank for the Jawbone, but the meeting with Jewell, this is an area of interest for them for future mining. They had asked us to move this well. If you turn back to the Exhibit BB that's topographic map, you can get a better view and that we're actually moving this well toward the valley of Lynn Camp Branch, which is out of their area of interest for mining. So, essentially we are moving it to avoid future mining though they don't have projections, but they have expressed concern that, you know, they will mine it eventually. They have asked us to move it more toward Lynn

Camp Branch. So, we'll be out of their area of interest.

Q. So, basically, they have planned to approach the mine works from the east in an easterly direction and asked you to move this well towards the west, is that correct?

A. That's correct.

Q. All right, sir.

A. And finding a location for this well terrain was also a definite issue.

Q. All right, sir.

MARY QUILLEN: Mr. Chairman, just one clarification, is that the reason that you moved it outside the window?

TIM BLACKBURN: Well, in looking at the topo exhibit, Exhibit BB, you can see that the well is located along Lynn Camp Branch. In looking at the cover depth for the Jawbone seams, this is out of their area of interest for mining. So, it happened to lie outside the drilling window, that coupled with terrain concerns.

MARY QUILLEN: Thank you.

TOM MULLINS: Nothing further, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: Mr. Chairman, I've got---

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: ---one question here. Do these locations have the right to have multiple wells drilled on units? Have you done that?

TOM MULLINS: No. We have not higher density---

BRUCE PRATHER: Because two of these wells that you've asked us to approve are in the same unit.

TOM MULLINS: We've not asked for higher density drilling in these units. We're just moving a well location.

BRUCE PRATHER: Two of them was approved are in the same unit. Look at E-43.

(Board members confer.)

DALLAS NESTLE: I think what you're looking at is we put the unit that we're drilling in the middle of this grid and showed the nine units around it.

SHARON PIGEON: Mr. Nestle, you haven't been sworn. So, could we get you sworn? Okay.

(Dallas Nestle is duly sworn.)

DALLAS NESTLE: On...if you look at G-43, Exhibit AA, the unit that's in the middle is unit D-43. The one that we're talking about for D-44 on Exhibit AA is unit D-44, which is in the middle. These are not duplicate. We're shifting these nine units to encompass the one in question.

BRUCE PRATHER: The one on unit 44 is not the one that I'm questioning about. The one I'm questioning about

is 199 and 198. They're both in unit 43.

TOM MULLINS: Perhaps...if you could show me where they are multiple wells. I don't see that. Maybe I'm misunderstanding. My eyesight is not what it used to be.

DALLAS NESTLE: That's unit B-43. The 198 is B-43.

BRUCE PRATHER: B-43. Okay, this is B-43. Okay. Okay. I made a mistake.

BUTCH LAMBERT: It's the first of the month. That's our first one for the day. The only one. Any further questions from the Board?

DONNIE RATLIFF: Mr. Chairman.

BUTCH LAMBERT: Mr. Ratliff.

DONNIE RATLIFF: The way this notice reads it's for pooling. I can't find anything in here well location change on the hearing notice. Was everybody noticed?

TOM MULLINS: Everybody was noticed. The reason it was done the way it was done, there's no specific application that I'm aware of for this. So, this was the best we could do to get this back before the Board.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Mullins?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: 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.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins. It's approved. The next item is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 426, unit E-37, docket number VGOB-09-1020-2607. All parties wishing to testify, please come forward.

TOM MULLINS: Tom Mullins and Pebbles Deel with the Street Law Firm on behalf of GeoMet.

DALLAS NESTLE: Dallas Nestle, GeoMet Operating Company, project manager.

RYAN CARTER: Ryan Carter, drilling and completion manager for GeoMet Operating.

TIM BLACKBURN: Tim Blackburn, consultant for GeoMet.

BUTCH LAMBERT: You may proceed, Mr. Mullins.

TIM BLACKBURN

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Blackburn, would you please state your name and your occupation, please?

A. Tim Wesley Blackurn, consulting geologist.

Q. And are you familiar with unit E-37?

A. Yes, I am.

Q. Okay. Would you please explain to the Board exhibits...the first Exhibit AA, which has been handed out to the Board?

A. This exhibit shows the subjected unit E-37 and the well 426 along with the surrounding units includes the mineral boundaries and ownership---

Q. All right, sir.

A. ---with the surrounding units.

Q. And Exhibit BB?

A. It's simply a topo map on this plat with the unit and well location shown.

Q. All right, sir. And then Exhibit CC?

A. CC shows the proposed well location in

relation to existing and abandoned mine works in the Red Ash seam.

Q. And we're handing out to the Board now a plat, which we'll call EE...DD, excuse me, and could you explain to the Board what this plat shows?

A. This is the...again, the Red Ash mine work plat with the former well location shown with the open circle and the red well symbol is the current location for the well. And the reason for this well move is the orientation of the mine works when we first done this initial pooling we were basically working off paper copies of the Red Ash mine maps. Since that time, we've been able to survey features related to the Red Ash mine maps and reorient the mine maps. When we done that, we learned that we could move the well some fifty odd feet and not drill through the Red Ash mine works. So, we moved the well approximately 50 feet to avoid drilling through the abandoned mine works.

TOM MULLINS: I don't have any other questions, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: Mr. Blackburn, are you aware of any

impounding water in the old mine works here that could cause a danger or a potential blowout?

TIM BLACKBURN: Not in this vicinity.

DAVID ASBURY: Okay.

TIM BLACKBURN: But I'll qualify that with the concern that these are older mine maps. There's not a lot of elevation data available. But inspection on the ground doesn't show any signs of significant water impounded there. But as...to avoid that being one of the issues, we elected to move the well and try to avoid hitting the works at all.

DAVID ASBURY: For barrier protection?

TIM BLACKBURN: Yeah.

DAVID ASBURY: Thank you very much.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

DONNIE RATLIFF: 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.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

TOM MULLINS: Thank you.

BUTCH LAMBERT: The next item is a petition from GeoMet Operating Company, Inc. for pooling of coalbed methane unit Rogers 207, unit A-42, docket number VGOB-09-1020-2609. All parties wishing to testify, please come forward.

TIM BLACKBURN: Tom Mullins and Pebbles Deel representing GeoMet Operating Company.

DALLAS NESTLE: Dallas Nestle, GeoMet Operating Company, project manager.

RYAN CARTER: Ryan Carter, drilling and completion manager for GeoMet Operating.

TIM BLACKBURN: Tim Blackburn, consultant for GeoMet.

TOM MULLINS: Mr. Chairman, this one is the one that we said had a slightly different percentages. What happened was it was an error on my offices part. We...LBR has different interest in different ones of their tracts and we listed this interest in Exhibit B as being LBR

80...excuse me, 75% when it's 87 1/2% on what is designated as Tract 4 on Exhibit B, page two. That's the purpose of that handout. So, Tract 4 was incorrectly listed by us as 75% Rogers instead of 87 1/2% Rogers. That's the purpose of Exhibit B to complete that application. It's a revised Exhibit B and B-3 for the Board. The initial pooling had it listed correctly, by the way, because this is a repooling. So, the first pooling had it at 87 1/2%. When we did this Exhibit B and B-3, we mistakenly listed it as 75%. So, the first approved pooling to today in the handout we've given you, it's the same.

SHARON PIGEON: So, (inaudible) got it wrong and now you've got it right? Could we have someone who has been sworn in tell us that?

TOM MULLINS: We can.

SHARON PIGEON: Okay.

DALLAS NESTLE

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Nestle, would you please state your name?

A. Dallas Nestle.

Q. And what do you do for a living, sir?

A. I'm the project manager for GeoMet Operating Company.

Q. And are you familiar with unit A-42?

A. I am.

Q. And you've heard me explain to the Board concerning Tract 4, the ownership interest of LBR Holdings. You heard that, correct?

A. I did hear that. Correct.

Q. And to your...to the best of your knowledge and belief, does LBR Holdings have an 87 1/2% interest in Tract 4?

A. Yes.

Q. And so the application pending before the Board today that has an Exhibit B-3 says 75% is in correct?

A. That is correct.

Q. And you're asking the Board for the substitution of Exhibit B and B-3 in place of that exhibit?

A. Yes.

Q. And also Exhibit E?

A. Correct.

TOM MULLINS: That's all I have, Mr. Chairman, for Mr. Nestle.

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

TOM MULLINS: All right.

TIM BLACKBURN

DIRECT EXAMINATION

QUESTIONS BY MR. MULLINS:

Q. Mr. Blackburn, would you please state your name?

A. Tim Wesley Blackburn, consulting geologist for GeoMet.

Q. All right, sir. And you have prepared and we have handed out various exhibits being plats. Could you start with the top most exhibit being...which we'll reference as Exhibit AA?

A. AA is the plat showing the subjected unit in the well 207, as well as the surrounding unit with mineral lines and ownership.

Q. All right, sir. And the next page, which we will reference as Exhibit BB?

A. This exhibit shows the unit and the well location with a topographic map.

Q. And the next page, which we will call CC?

A. CC is a plat showing active mine works and proposed mine works in the Red Ash seam in relation to the well location.

Q. And the next page, which we will reference as DD?

A. This is a plat for the Jawbone showing active mining.

Q. All right, sir. And we're handing out at this time an exhibit that has in its legend Jawbone Mine Works Map, which we will call Exhibit EE. Could you explain to the Board what that exhibit depicts, please?

A. This exhibit for the Jawbone seam shows the open circle, which is the former well location and then the red well symbol is the current location. The difference being is we moved from the former well location we moved about 66 feet as you'll see over to the west. The reason being, all of the mine works you see on this map are active in the sense that they're...the one in the center is an active main. But everything has been ventilated. So, it's considered active mining by us. After meeting with Jewell with this location, they asked us to move it slightly to center the location up in this barrier block, which is a wide area in the middle to maximize distance between the main shown here and this panel shown off on the east side.

Q. And was---

A. That was the essence of it.

Q. And the location was moved at the request

of Jewell Smokeless Coal?

A. That's correct.

TOM MULLINS: I have nothing further, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

DONNIE RATLIFF: Mr. Chairman, I'm having a hard time finding the 75% in Tract 4. Is that the split agreement or is that the ownership of...I'm trying to compare the two exhibits.

TOM MULLINS: It's the percentage of ownerships between the LBR Holding as I understand it and the Rogers cousins in the original exhibit as filed with your packet of information.

DONNIE RATLIFF: Okay. Thank you.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Mullins?

TOM MULLINS: No, sir.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: 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, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Mullins.

TOM MULLINS: Thank you, sir. Thank you the Board.

SHARON PIGEON: Thank you.

BUTCH LAMBERT: At this time, we're going to recess for about a fifteen minute break.

(Break.)

BUTCH LAMBERT: The next item on the agenda is item twelve. A petition from CNX Gas Company, LLC for a repooling of coalbed methane unit N-17, docket number VGOB-07-1113-2081-02.

MARY QUILLEN: Mr. Chairman, are we not doing item number four?

MARK SWARTZ: Actually, we need to go back to number...we're just trying to confuse you, number four. Actually, we had moved, remember, and we shoved that to the---

BUTCH LAMBERT: I've got moved written down.

MARK SWARTZ: Thanks. It's okay. It's all right. We'll get there.

BUTCH LAMBERT: We're not going to be calling item twelve at this time. We're going to be calling item four.

MARK SWARTZ: Right.

BUTCH LAMBERT: A petition from CNX Gas Company, LLC for pooling of coalbed methane unit BC-90, docket number VGOB-09-0818-2576. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

(Anita Duty is duly sworn.)

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, this is a pooling application, correct?

A. Yes.

Q. And what field is it in?

A. Nora.

Q. How many acres in the unit?

A. 58.74.

Q. And how many wells are we talking about?

A. One.

Q. And is it located in the drilling window?

A. Yes.

Q. Okay. Who do you work for?

A. CNX Land Resources.

Q. And what's your title with them?

A. Pooling supervisor.

Q. Okay. Is part of your job responsibility to manage and supervise the preparation of the pooling applications and related notices and related exhibits?

A. Yes.

Q. And with regard to BC-90 that we have today, this amended notice of hearing and so forth, were you in charge of supervising and preparing this?

A. Yes.

Q. Did you sign both the amended notice and the application?

A. Yes.

Q. Did you either prepare or supervise the preparation of the exhibits?

A. I did.

Q. Okay. And the applicant here, we've noted, as CNX Gas Company, LLC, is that correct?

A. Yes.

Q. And is CNX Gas Company, LLC a Virginia

Limited Liability Company?

A. Yes.

Q. Is that company authorized to do business in the Commonwealth?

A. It is.

Q. Who is that you are requesting be appointed the Board's designated operator if this application is approved?

A. CNX Gas Company.

Q. And with regard to that matter, has CNX Gas Company registered with the DMME?

A. Yes.

Q. And has CNX Gas Company filed the required bonds with---

A. They have.

Q. ---regard to their wells?

A. They have.

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

A. We mailed by certified mail return receipt requested on September the 18th, 2009 and published in the Bluefield Daily Telegraph on September the 28th, 2009.

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

A. The notice and location exhibit.

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

A. Yes.

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

A. No.

Q. Do you want to dismiss any?

A. Yes. We actually...not dismissing a respondent but a...we had previously shown Equitable as having a lease. No wait a minute, the wrong one. The wrong unit.

Q. Right.

A. Forget that.

Q. We'll deal with that Equitable lease in a little bit, right?

A. Right.

Q. Okay. Not in this unit?

A. Not this one.

Q. We do have a revised plat in this unit though, is that right?

A. Yes.

Q. And what was the change from when you filed

the application to today?

A. It was shown as the Oakwood Field and it should actually be the Nora Field in the title.

Q. Okay. So, the...in sort of legend title block we've got Nora now and, obviously, it's a Nora unit, 58.74 acres, right?

A. Yes.

Q. Okay. Any other revisions to exhibits?

A. No.

Q. Okay. And we don't want to add anybody as a respondent?

A. No.

Q. And we don't need to dismiss anybody from this unit?

A. No.

Q. Would you summarize for the Board, the interest that you've been able to acquire...that the applicant has been able to acquire in this unit and the interest that you're seeking to pool?

A. We've acquired 95.1736% of the coal, oil and gas claim. We're seeking to pool 4.8264% of the coal, oil and gas claim.

Q. And from looking through this, it looks to me like there's no escrow requirement, is that correct?

A. That's correct.

Q. And there are no split agreements to deal with?

A. No.

Q. Okay. With regard to the folks...the 90 plus % of the folks that you've been able to reach an agreement with, what were the standard lease terms that CNX was offering those people?

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

Q. And was there a royalty involved?

A. Oh, and a one-eighth royalty.

Q. Okay. And would you recommend to the Board that in the event they were to approve this pooling application and enter an order that those lease terms be included in the deem to have been leased provisions?

A. Yes.

Q. Okay. With regard to the well here, you've said it's going to be located in the drilling window? Is it a frac well?

A. Yes.

Q. Okay. Have you provided the Board with cost information concerning this well?

A. Yes. It's \$301,339.62. The estimated

depth of 2,531 feet.

Q. And I take it, we don't have a permit yet?

A. No, no permit.

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

A. Yes.

Q. Is it your further opinion that if you combine a pooling order pooling the respondents named in the notice and an Exhibit B-3 and combine that pooling order with the leasing and acquisition efforts that CNX has been successful that the correlative rights of all owners and claimants will be protected?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

SHARON PIGEON: Did you give us the resources?

MARK SWARTZ: No, they're in the application though. Could you tell her that?

SHARON PIGEON: Yes, they are, which is not of

record.

ANITA DUTY: 125 to 550.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Do you have anything further, Mr. Swartz?

MARK SWARTZ: No, I do not. Do I have a motion?

MARY QUILLEN: Motion to approve.

DONNIE RATLIFF: 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 Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: Thank you, Mr. Swartz. It's approved. One abstention, Mrs. Dye. The next item on the agenda is number twelve. A petition from CNX Gas Company, LLC for a repooling of coalbed methane unit N-17, docket number VGOB-07-1113-2081-02. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

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

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, what kind of a unit is this?

A. An Oakwood unit, 80 acre.

Q. It's an 80, okay.

A. Uh-huh.

Q. How many wells?

A. One.

Q. And where is that well located in relation to the window?

A. It's within the window.

Q. Is it a frac well?

A. Yes.

Q. This is a repooling?

A. Yes.

Q. And apparently there is a tract issue that required repooling?

A. Yes.

Q. And what was that?

A. Previously Tract 5 was shown as 0.12 acres when the tracts should have been divided. So, now, Tract 5 is 0.06 and there's an additional Tract 15 that 0.06. So, we left out a tract that should have been included previously.

Q. Is that the only change that we're looking on repooling?

A. Yes.

Q. Okay. What did you do to notify the folks that are listed in the notice of hearing and Exhibit B-3 and other people who might be interested that we were going to have a hearing today?

A. Mailed by certified mail, return receipt requested on September the 18th, 2009. Published in the Bluefield Daily Telegraph on September the 26th, 2009.

Q. When you published, what was in the paper?

A. The notice and location exhibit.

Q. And 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?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. And would you summarize for the Board the interest that the applicant has been able or successful in acquiring and the interest that remain outstanding that need to be pooled?

A. We've leased 100% of the coal claim and we're seeking...and we've leased 94.1125% of the oil and gas claim. We're seeking to pool 5.8875% of the oil and gas claim.

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

A. Yes. Estimated costs of \$197,508.14.

Q. and that's because this well is pretty shallow, isn't it?

A. Yes. We used the previous estimate that was included in the original pooling.

Q. Okay. And that previous estimate was at what depth?

A. 1,266 feet. The permit number is 6928 and

the well was drilled October the 5th, 2005.

Q. Okay. Is there an escrow requirement with regard to this unit?

A. Yes. Tracts 6, 7, 8, 9, 10, 11, 12, 13 and 15?

Q. And there are no split agreements?

A. No.

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

A. Yes.

Q. Is it your further opinion that if you combine a pooling order pooling these respondents with a...with the folks that you've been successful in leasing or purchasing their interest that the correlative rights of all people claiming or owning CBM in this unit would be protected?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: The Board VGOB number reflects 2081-01. Our files show a prior disbursement from this unit on

May 20, 1994. So, we will you correct that to 02.

MARK SWARTZ: That works.

BUTCH LAMBERT: 0 what?

MARK SWARTZ: 02.

DAVID ASBURY: 02.

BUTCH LAMBERT: I think that's what we read.

DAVID ASBURY: Okay. I may have missed it. I'm  
sorry.

ANITA DUTY: That's not the way I filed it. You're  
right. I need to change mine.

MARK SWARTZ: It was filed with an 01 number.  
David's right.

ANITA DUTY: Yes.

MARK SWARTZ: I mean, we need to---.

BUTCH LAMBERT: Okay.

MARK SWARTZ: I guess we need to change our  
paperwork.

ANITA DUTY: Yes.

MARK SWARTZ: Okay.

BUTCH LAMBERT: Other questions from the Board?

SHARON PIGEON: Reserves?

ANITA DUTY: 125-550.

MARK SWARTZ: We're going to delegate that  
question.

SHARON PIGEON: We would like the record to repeat on each item.

BUTCH LAMBERT: That was 125-550?

ANITA DUTY: Yes.

BUTCH LAMBERT: Okay. Thank you. Do I have a...anything further, Mr. Swartz?

MARK SWARTZ: That's it on this unit. Thank you.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: 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 Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: At this time, we need to back up to item number eleven. I think...was it four. Okay, docket

item number.

MARK SWARTZ: Okay.

BUTCH LAMBERT: I apologize. We had a question when I called for a vote.

SHARON PIGEON: Back on Exhibit A, page two. Do you have your numbers wrong there? Do we need a revised exhibit on that?

MARK SWARTZ: I can't hear you. You need to speak up.

SHARON PIGEON: Anita---?

MARK SWARTZ: Page two, right?

SHARON PIGEON: Down at your percentage of coal leased. Should that be 95.1736?

MARK SWARTZ: Oh, instead of 46?

(Mark Swartz and Anita Duty confer.)

SHARON PIGEON: I thought you testified to 95.1736 for both coal and gas, oil and every other mineral imaginable.

ANITA DUTY: That's correct.

SHARON PIGEON: Is that what you testified to?

ANITA DUTY: But down here on the number three that should actually say a 100 as far as coal...as far as coal goes. That's a 100%. The claim to CBM is 95.1736.

SHARON PIGEON: So, do we need a revised exhibit

there?

ANITA DUTY: Yes.

SHARON PIGEON: So, that is Exhibit A, page two.

MARK SWARTZ: Just to recap, what you're saying though, Anita, is that the percentages in the item number one on that page will remain the same and the percentage expressed at item three, which is the coal lease item that will change to a 100?

ANITA DUTY: That's right.

MARK SWARTZ: Okay.

DONNIE RATLIFF: If Mr. Harris was here, he's a math professor, he would have caught that.

SHARON PIGEON: That's right.

BUTCH LAMBERT: Are you going to submit a revised Exhibit BB?

ANITA DUTY: Yes.

BUTCH LAMBERT: Okay. Thank you. The next item is a petition from CNX Gas Company, LLC for repooling of coalbed methane unit O-41, docket number VGOB-93-0420-0362-02. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Anita tells me that we have some title issues that have surfaced that we need to do a little

more work on to try and get it, you know, right before we pool it. Do you feel like you need 60 days, Anita?

ANITA DUTY: Yes.

MARK SWARTZ: So, I would request a 60 day continuance on item thirteen to let us accomplish that work.

BUTCH LAMBERT: Continued until December.

MARK SWARTZ: That would be great.

BUTCH LAMBERT: The item will be continued. The next item is a petition from CNX Gas Company, LLC for a repooling of coalbed methane unit AZ-102, docket number VGOB-03-1216-1239-09 or 01. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you. I'd like to incorporate Anita's testimony with regard to the applicant and the operator, who her employment at CNX and her testimony regarding 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,  
again.

A. Anita Duty.

Q. Okay. What kind of unit is this?

A. Nora 58.78 acre unit.

Q. And how many wells are we going to be  
talking about?

A. Two.

Q. And are they both frac wells?

A. Yes.

Q. And are they both located in the drilling  
window?

A. Yes.

Q. And this is a repooling, correct?

A. Yes.

Q. And this is the one that we're going to  
straighten out the EQT lease issue, right?

A. Yes.

Q. Okay. So, do you have a revised exhibit?

A. Yes, they've already---

Q. They have it, okay. And what exhibits are  
we revising?

A. The...well, there's a B-2---

Q. Okay.

A. ---and there's a B-3, E and revised tract ID.

Q. Okay. And the Board has all of those?

A. Yes.

Q. And are all those revisions provoked by the same factual matter?

A. Yes.

Q. Okay. And what is that?

A. On Tract 1C, we were showing the Velvie Shortridge has being lease by EQT and we received notice from them that they did not have a lease. So, we took that off.

Q. So, if you revise those exhibits to discontinue showing the Velvie Shortridge tract as leased by EQT?

A. Yes.

Q. Okay. Any other revisions or changes that you need to do at this point?

A. No.

Q. Okay. You've listed the respondents in your notice of hearing and again at Exhibit B-3, right?

A. Yes.

Q. Do you want to add any people to that list or subtract any people other than---?

A. No.

Q. ---EQT?

A. No.

Q. What did you do to notify those folks that you're seeking to pool as well as anyone else that might be interested that we were going to have a hearing today?

A. Mailed by certified mail, return receipt requested on September the 18th and published the notice and location exhibit in the Bluefield Daily Telegraph on September the 28th.

Q. And have you provided the Director with your certificates concerning mailing and your proof of publication?

A. Yes.

Q. Okay. What interest was the applicant successful in acquiring and what is it that you're seeking to pool?

A. We acquired 100% of the coal owners' claim and 96.444368% of the oil and gas claim. Seeking to pool 3.555632% of the oil and gas owners' claim.

Q. Okay. Do you have permits for both of these wells?

A. Yes. AZ-102 is 5452 and AZ-102A is 10199.

Q. Okay. And the AZ-102 total depth is what?

A. 2,664 feet.

Q. And the costs back in '03 for that well were?

A. \$248,561.53.

Q. Okay. And then the new well, I assume this is an infill drilling area?

A. Yes, it is.

Q. All right. The new well is in an infilling well, correct?

A. Yes, it is.

Q. And your cost estimate for the new well is what?

A. \$309,438.70. Estimated depth 2,457 feet.

Q. Okay. Do you know if that well is drilled yet?

A. Yes, it is.

Q. There's an escrow requirement?

A. Yes.

Q. What tracts?

A. Tract 1A, 1B, 1C, 1D, 1G, 1H and 1I.

Q. Okay. And those escrow...the escrow requirement in all instances is just because of conflicts, right?

A. That's right.

Q. Okay. Do you have some split agreements?

A. We do. Tracts 1A, 1B, 1D, 1E, 1F, 1I and 1J.

Q. Have you actually seen those...you've personally seen those split agreements?

A. Yes.

Q. Are they all 50/50 agreements?

A. They are.

Q. Okay. And is it your request that the Board allow you to pay the folks identified in Exhibit EE directly in accordance with their split agreements?

A. Yes.

Q. Rather than escrowing their funds?

A. Yes.

Q. Okay. Is it your testimony that drilling two frac wells in the window of this Nora unit is a reasonable way to develop CBM from the unit?

A. Yes.

Q. Is it your further testimony that if you combine a pooling order pooling the respondents that have been identified with regard to this unit and pooling their interest with the folks that you've leased or acquired interest from that the correlative rights of all owners and claimants will be protected?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do you have anything further, Mr. Swartz?

MARK SWARTZ: No, I do not.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

MARY QUILLEN: Second.

DONNIE RATLIFF: I have a motion and a second. Any further discussion?

(No audible response.)

DONNIE RATLIFF: All in favor, signify by saying yes.

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: The next item is item fifteen. A petition from CNX Gas Company, LLC for pooling of coalbed

methane unit N-1, docket number VGOB-09-1020-2611. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

MARK SWARTZ: Thank you. Could I incorporate, please, Anita's testimony with regard to the applicant and operator, her employment and standard lease terms?

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, again.

A. Anita Duty.

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

A. Okay.

Q. Okay. What kind of unit is this?

A. Oakwood 80 acre unit.

Q. How many wells?

A. Two.

Q. In relation to the window where are they?

A. They're inside the window.

Q. Okay. All right. Do you have any revised exhibits?

A. No.

Q. Okay. You've listed the respondents in the notice of hearing and also in Exhibit B-3, is that correct?

A. Yes.

Q. Do you want to add any to that list?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. What did you do to let the respondents that you've named as well as other people who might be interested to let them know that there was going to be a hearing today?

A. We mailed by certified mail, return receipt requested on September the 18th. Published the notice and location exhibit in the Bluefield Daily Telegraph on September the 26th.

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

A. The notice and location exhibit.

Q. All right. And have you provided the director with copies of your certificates with regard to mailing and your proof of publication today?

A. Yes.

Q. Okay. This unit does not require any escrow?

A. No.

Q. And there are no split agreements?

A. No.

Q. What interest have you acquired in the unit, CBM interest that you've acquired and what is that you need to pool to protect correlative rights?

A. We've acquired 83.8438% of the coal, oil and gas claim. We are seeking to pool 16.1563% of the coal, oil and gas claim.

Q. Okay. And have you provided the Board...I know we've given them a total number of cost, but have you provided them with two cost estimates, one for each well?

A. Yes.

Q. Okay. Start with either one of them and lets go through that.

A. N-1 is estimated cost of \$302,990.37. Estimated depth 2,531 feet. There's no permit.

Q. Okay.

A. N-1A estimated cost of \$294,768.87. Estimated depth 2,511 feet. The permit number is 9859.

Q. Okay. Is it your opinion that drilling

these two wells and the location that's shown on the plat is a reasonable way to develop the coalbed methane from this unit?

A. Yes.

Q. Is it further opinion that if you combine a pooling order pooling the respondents identified with the folks that you've been able to lease and/or acquire their interest that the correlative rights of all owners and claimants to the CBM from this unit will be protected?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

DONNIE RATLIFF: Mr. Chairman.

BUTCH LAMBERT: Mr. Ratliff.

DONNIE RATLIFF: I assume we...we have a difference in opinion on the...our agenda says 16.5...1562% and your application has got 63%. Did someone add wrong somewhere?

DAVID ASBURY: Rounding.

MARK SWARTZ: I'm sorry, where...oh, the agenda.

DONNIE RATLIFF: It's 16.1562%.

ANITA DUTY: It should be 2.

MARK SWARTZ: It should be 2?

ANITA DUTY: Yeah.

MARK SWARTZ: Okay. So, we need to fix that,

right?

ANITA DUTY: Yeah.

MARK SWARTZ: Hey, but you know when you only miss it by a thousandth nobody is really going to jump on you. But we need to get it right.

DONNIE RATLIFF: It won't add to be a 100.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve, Mr. Chairman.

MARY QUILLEN: Second.

DONNIE RATLIFF: I assume you want a revised exhibit.

BUTCH LAMBERT: Motion to approve with the revised exhibit. Do I have a second?

MARY QUILLEN: Second.

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

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank

you, Mr. Swartz. It's approved.

MARK SWARTZ: Thank you.

SHARON PIGEON: The revised exhibit will be for Exhibit A, page two?

MARK SWARTZ: Correct.

BUTCH LAMBERT: Item sixteen. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit O-1, docket number VGOB-09-1020-2612. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

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. You're still under oath?

A. Yes.

MARK SWARTZ: Could I incorporate Anita's testimony please from the first case today with regard to the applicant, operator, her employment and standard lease terms?

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

Q. This is what kind of a unit?

A. An Oakwood 80 acre.

Q. How many wells?

A. Two.

Q. Where are they in relation to the window?

A. Within the window.

Q. Okay. Have you listed all the respondents that you want to include in the notice of hearing and Exhibit B-3?

A. Yes.

Q. And I assume you don't want to add any or subtract any?

A. No.

Q. What did you do to let those respondents and other people who might be interested in this pooling application know that there was going to be hearing today?

A. Mailed by certified mail, return receipt requested on September the 18th, 1009. Published the notice and location exhibit in the Bluefield Daily Telegraph on September the 26th.

Q. And have you provided the Director with your certificates pertaining to mailing and the proof of

publication that you got from the newspaper?

A. Yes.

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

A. We acquired 99.95% of the coal and gas claim. We're seeking to pool 0.05% of the coal, oil and gas claim.

Q. Okay. Have you provided the Board with well cost data?

A. Yes.

Q. And do you have a separate sheet for each well?

A. Yes.

Q. Okay. Why don't you start with the first one and tell us about that?

A. O-1 is estimated cost of \$296,091.32. The estimated depth of 2,501 feet. The permit number 9902.

Q. Okay.

A. O-1A \$279,179.49 with an estimated depth of 2,400 feet and there is no permit.

Q. Both of those are frac wells?

A. Yes.

Q. Okay. With regard to the matter of escrow, it looks like there's an unknown in Tract 2, is that right?

A. I didn't catch it.

Q. I may be wrong. Let's look and see.

DONNIE RATLIFF: Yeah, there is. Emma Joe Johnson.

A. Yes.

Q. So, we do have an escrow requirement because we've got an unknown---

A. Yes.

Q. ---or unlocateable. Will you get us an exhibit in that regard then?

A. I will.

Q. And is that the only person that we need to deal with on escrow...the only tract, I'm sorry?

A. Yes. Yes.

Q. And that would be tract what?

A. Tract 2.

Q. Okay. I take it we have no split agreements?

A. No.

Q. Is it your opinion that drilling two frac wells in the drilling window of this Oakwood unit is a reasonable way to produce the coalbed methane gas from the unit?

A. Yes.

Q. Is it your further testimony that if we

combine a pooling order pooling the respondents and their interest in this unit with the interest that you've leased and/or purchased that the correlative rights of all owners and claimants will be protected?

A. Yes.

MARK SWARTZ: That's...

Q. Oh, what are the reserve estimates?

A. 125-550.

MARK SWARTZ: Thank you. I think that's all I have, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion to approve.

BUTCH LAMBERT: I have a motion. Do I have a second?

MARY QUILLEN: Second.

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

DAVID ASBURY: That's with a revised Exhibit E?

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

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz.

MARK SWARTZ: Thank you.

BUTCH LAMBERT: The next item is item seventeen. A petition from CNX Gas Company, LLC for pooling of coalbed methane unit Z-55, docket number VGOB-09-1020-2614. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

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

BUTCH LAMBERT: Accepted.

MARK SWARTZ: Thank you.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. You need to state your name for us.

A. Anita Duty.

Q. You're still under oath, right?

A. Yes.

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

A. An Oakwood 80 acre unit.

Q. How many wells?

A. Two.

Q. Where are they in relation to the window?

A. Within the window.

Q. Are they both frac wells?

A. Yes.

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

A. Yes.

Q. Do you want to add any?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. Okay. What did you do to notify the respondents and other people who might be interested in this application that there was going to be hearing today?

A. Mailed by certified mail, return receipt requested on September the 18th. Published the notice and location exhibit in the Bluefield Daily Telegraph on

September the 28th.

Q. Okay. And have you provided Mr. Asbury with your certificates concerning mailing and your proof of publication today?

A. Yes.

Q. What interest have you been...has the applicant be able to acquire and what is it you're seeking to pool?

A. We've acquired 98.1590% of the coal claim. 98-1463% of the oil and gas claim. We're seeking to pool 1.841% of the coal claim and 1.8537% of the oil and gas claim.

Q. Okay. Have you provided the Board information concerning the two wells?

A. Yes.

Q. Okay. And what is that?

A. For Z-55 the estimated cost is \$256,538.76 with an estimated depth of 1,429 feet and no permit.

Q. Okay.

A. Well Z-55A \$283,410.76 with an estimated depth of 1,829 feet with no permit.

Q. Okay. Do we have some escrow requirements here?

A. Yes, for Tract 3.

Q. Okay. Is that the only tract?

A. Yes.

Q. And in all instances is the escrow the result of conflicts?

A. Yes.

Q. So, we don't have unknowns or unlocateables to deal with?

A. No.

Q. Okay. Are there any split agreements?

A. No.

Q. What's your estimate with regard to reserves?

A. 125 to 550.

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

A. Yes.

Q. Is it your further opinion that if you combine a pooling order pooling the respondents identified in Exhibit B-3 and their interest, would the interest of the folks that you've been able to lease and/or purchase their interest 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, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

DONNIE RATLIFF: Mr. Chairman.

BUTCH LAMBERT: Mr. Ratliff.

DONNIE RATLIFF: Is the Cabot well...it's shown outside the drilling window?

ANITA DUTY: I don't know that. I don't know if Jerry does or not.

BUTCH LAMBERT: I don't have a Jerry here to ask. Maybe Gus can answer that. Would you like to call someone from---?

ANITA DUTY: Yeah, we could probably find out for you. Oh, I can't call...no, I can't like call somebody up here.

BUTCH LAMBERT: From who is here from the company that might know?

MARK SWARTZ: Is Jerry out smoking?

ANITA DUTY: No, he's right here. He says---

MARK SWARTZ: Oh, but he doesn't know?

JERRY: I'm back here. I can't say yes or no. (Inaudible).

MARK SWARTZ: Can either of you at least...if you can, then you come up here and be sworn, but can you tell the Board whether it's a CBM well or conventional well?

JERRY: I think it's a conventional one. I'm not positive.

MARK SWARTZ: Better be. Don't know.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

DONNIE RATLIFF: Motion that we 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 Butch Lambert and Katie Dye.)

BUTCH LAMBERT: Opposed, no.

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: I'm sorry. Mr. Asbury.

DAVID ASBURY: Just to answer...just to answer Mr. Ratliff's question. That is Young's Town Number 1 well. It is a producing well.

DONNIE RATLIFF: It's conventional?

DIANE DAVIS: Wait a minute. Yes.

DAVID ASBURY: Yes.

DONNIE RATLIFF: So, there's already a pooling order---?

DAVID ASBURY: Yes.

DONNIE RATLIFF: ---on the issue.

DIANE DAVIS: It may or may not be.

DAVID ASBURY: It may not be.

DIANE DAVIS: Because it will be conventional.

DONNIE RATLIFF: Okay.

MARK SWARTZ: I guess I could have answered your question. If you'll notice, you got bearings and distances to other wells within 2500 foot radius of CBM and all and the listing CBM wells way out of that radius. I think we could...I could have backed into a conclusion that that was conventional, but I just didn't see that.

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

MARK SWARTZ: I'm sorry?

BUTCH LAMBERT: It's approved.

MARK SWARTZ: Thank you. Thank you. Great.

BUTCH LAMBERT: Number five, is that right. The next item on the agenda is...we're going to back up item five, I think. It's a petition from EQT Production Company for pooling of coalbed methane unit VC-536564. This is docket number VGOB-09-0915-2587. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Production Company.

(Rita Barrett and Chris Hinte are duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you'd state your name for the record, who you're employed by and in what capacity?

A. I'm Rita Barrett. I'm employed by EQT Production Company as regional land manager.

Q. We originally filed this application for the September docket and continued it. Could you explain why we continued it?

A. Yes. Mr. Chairman had asked us to do further research due to an address that he had found, Star Route, Cleveland, Virginia. We did additional research on that. We contacted the postmaster, nothing. We contacted...we researched ancestry.com, nothing. We talked to the Commissioner of Dickenson County. Taxes have not been paid on that tract since 1970. It's for dale due to back taxes, unknown and unlocateable.

BUTCH LAMBERT: Okay. Good work. Thank you.

RITA BARRETT: Thank you.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in this unit, which was dated August the 14th, 2009?

A. I am.

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

A. We do.

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

A. Yes.

Q. What is the interest under lease to EQT in the gas estate in this unit?

A. 98.52%.

Q. And in the coal estate?

A. It's a...I'm sorry, 98.52%.

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

A. Yes.

Q. So, 1.48% of both the gas and coal estate remains unleased?

A. That's correct.

Q. And that is Tract 4, the T. W. Sullivan Estate---

A. That's correct.

Q. ---that you just referenced? And would it be your testimony that reasonable and diligent efforts were made and sources checked to identify and locate these unknown T. W. Sullivan heirs?

A. Yes.

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

A. Yes.

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

A. They are.

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

A. Yes.

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

A. I am.

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

A. Yes, a twenty-dollar paid up bonus for a five year term and a one-eighth royalty.

Q. In your opinion, do the terms you just testified to represent 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 listed at B-3 who remain unleased, do you agree that they should be allowed the following statutory options: 1) Participation; 2) a cash bonus of five dollars paid up 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 share equal, A) 300% of the share of such costs applicable to the interest of the carried operator of a leased tract or portion thereof; or B) 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Should 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, should they be given 45 days to pay to the their proportionate share of actual well costs?

A. Yes.

Q. Does the applicant expecting the party electing to participate to pay in advance that party's share of actual well costs?

A. Yes.

Q. Should the applicant be allowed a 120 days following the recordation date of the Board order and thereafter annually on that date until production is achieved, to pay or tender any cash bonus or delay rental becoming due under a 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 actual well costs, then that election to participate should be treated as having been withdrawn and void and such respondent should be treated as if no initial election had been filed under the Board order, 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 be paid within 60 days after the last date on which the applicant could have successfully paid those costs?

A. Yes.

Q. In this particular unit, due to the Sullivan heirs, the Board does need to establish an escrow for any proceeds attributable to Tract 4, is that correct?

A. Yes.

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

A. EQT Production Company.

Q. What's the total depth of this proposed well under the plan of development?

A. 2,853 feet.

Q. Estimated reserves over the life of the unit?

A. 250 million cubic feet.

Q. Are you familiar with the well cost?

A. I am.

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

A. Yes.

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

A. Yes.

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

A. Dry hole costs are \$144,577. The completed well costs are \$348,879.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. It does.

Q. Is this location outside the interior window?

A. Yes.

Q. And you will handle that in the permitting process with Mr. Asbury's office?

A. Yes.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: What tract is being escrowed?

RITA BARRETT: Tract 4, coal and gas.

JIM KAISER: Because they're unknown and unlocateable.

DAVID ASBURY: Our Exhibit E shows Tract 2.

RITA BARRETT: That's incorrect.

JIM KAISER: Mine shows it's a 4.

BUTCH LAMBERT: Ours do too.

SHARON PIGEON: Mine shows 4.

RITA BARRETT: Yeah.

DAVID ASBURY: I promise.

JIM KAISER: We believe you.

DAVID ASBURY: I promise. We show--.

BUTCH LAMBERT: Any other questions from the Board?

(Board confers with David Asbury.)

DAVID ASBURY: Sorry.

RITA BARRETT: That's okay.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do you have anything further, Mr. Kaiser?

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.

BRUCE PRATHER AND 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, but Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. Thank you, Mr. Kaiser, it's approved.

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item is item eighteen. A petition from EQT Production Company for pooling of coalbed

methane unit BC-537068, docket number VGOB-09-1020-2615.

All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Production.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JIM KAISER: I think we've got some revised exhibits.

RITA BARRETT: Well, we have a revised plat that shows the 750 foot radius around the well. I also have the mine information that you requested at the...for the exhibits regarding the mine.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Okay, Ms. Barrett, before we get into your testimony, can you explain what, again, kind of for the Board as a whole, what the revised plat reflects?

A. I need to get a copy of it. I gave her all of my---

Q. It's outside the window, again.

A. It reflects a 750 radius around the well.

Q. And you wanted to depict that because of the location is outside the interior window?

A. That's correct.

Q. Okay. And was there another change or is that it?

A. No.

Q. The coal information?

A. And the coal information changed. That's correct.

Q. So, we've got the permit number and the operator information on the plat along with the 750 circle to resolve any potential correlative rights issues by being outside the interior window, correct?

A. That's correct.

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

A. I am.

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

A. Yes.

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

A. Yes.

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

A. 92.15%.

Q. And in the coal estate?

A. 100%.

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

A. Yes.

Q. So, what remains unleased is 7.85% of the gas estate?

A. That's correct.

Q. Okay. And there aren't any unknowns, right?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes. Twenty-five dollar paid up bonus, five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: At this time, Mr. Chairman, I'd ask that we be allowed to incorporate the statutory election testimony taken earlier in docket number 2587.

BUTCH LAMBERT: Accepted.

Q. Escrow, Ms. Barrett, the Board does need to establish an escrow account in this...for this unit, is that correct?

A. Yes, Tract 2.

Q. And that would for any proceeds attributable to Tract 2 because of a conflicting claim?

A. Yes.

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

A. EQT Production Company.

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

well?

A. 2,726 feet.

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

A. 185 million cubic feet.

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

A. Yes.

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

A. Yes.

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

A. Yes. Dry hole costs \$135,714 and completed well costs \$384,098.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

correlative rights?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: Mr. Chairman.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: Rita, are the next two Roaring Fork wells.

JIM KAISER: The next two.

RITA BARRETT: The next two?

BRUCE PRATHER: The two, eighteen and nineteen well? One of them is in Gladeville District and Lipps in Wise.

RITA BARRETT: I'll have to look at them, Mr. Prather once we get finished with this one.

JIM KAISER: This one is in Gladeville.

BRUCE PRATHER: Yeah. We've got an interest in Gladeville.

RITA BARRETT: This one isn't an Roaring Fork well.

BRUCE PRATHER: It is?

RITA BARRETT: It is not.

BRUCE PRATHER: Oh, okay.

BUTCH LAMBERT: Ms. Barrett, on your revised plat,

would you tell us what those letters are on the lines. I can make out the PL, but there's some lines adjacent to those that's something. I can't---

SHARON PIGEON: PB maybe.

BUTCH LAMBERT: PB.

RITA BARRETT: Where are you talking about?

BUTCH LAMBERT: All across the plat there's lines on there with P something.

JIM KAISER: PL, property line.

RITA BARRETT: Property line.

BUTCH LAMBERT: No, we see that one. But if you look at the ones that's property line there's something beside that that says--.

SHARON PIGEON: Property is black and then the other ones are grey.

BUTCH LAMBERT: Boundary.

RITA BARRETT: I can't read it.

SHARON PIGEON: It looks like it's PB.

BRUCE PRATHER: It looks like a D to me.

BUTCH LAMBERT: Our arms aren't long enough.

RITA BARRETT: And I'm blind. I can't see that well.

BRUCE PRATHER: Do you think it might be an S?

MARY QUILLEN: It's something D.

BRUCE PRATHER: I think it might be an SD. SD and TD or TB.

JIM KAISER: It looks like to me it says PB.

RITA BARRETT: That would be property boundary.

SHARON PIGEON: Okay. That must be what it is because that's what it looks like to me, PB.

RITA BARRETT: PB, property boundary.

JIM KAISER: PB and maybe BD, which be boundary.

BUTCH LAMBERT: You also list two DMLR permit numbers. Do either of those permit...well, is this proposed well inside that...inside those permit boundaries? Are either one of those permit boundaries?

RITA BARRETT: No. I think that that may be...that may be what this is. It's showing you the boundary line of that permit.

BUTCH LAMBERT: Permit boundary instead of property boundary.

RITA BARRETT: Yeah, permit boundary. That's what that is.

JIM KAISER: That's what it is.

BUTCH LAMBERT: Permit boundary.

RITA BARRETT: Permit boundary.

BUTCH LAMBERT: Okay. It makes sense now. It almost makes sense.

RITA BARRETT: I'm glad you can read it. I need glasses.

SHARON PIGEON: It's same grey color too as this.

BUTCH LAMBERT: Okay. Are those...the ones to the east of the plat...well, we figured out that says permit boundary. Could that...is that a road? Do you think?

RITA BARRETT: To the east out here?

JIM KAISER: No, right here.

BUTCH LAMBERT: To the east, yes.

JIM KAISER: Going through out there. It has got to be a road.

BUTCH LAMBERT: Well, there's two sets there. But the two that's going through the unit.

RITA BARRETT: Are you talking about that or over here?

BUTCH LAMBERT: No. One the east of the unit.

JIM KAISER: The two that are congruent.

JIM KAISER: Winding it's way through the unit.

RITA BARRETT: He's talking about this.

JIM KAISER: That's a road.

RITA BARRETT: Well, there's a road to the west. He sees that.

BUTCH LAMBERT: What I'm trying to figure out is where is this in relation to the permit boundaries if PB is

a permit boundary. It appears, I think---

RITA BARRETT: I think the permit boundary is this stuff to the east. I can't ident...that doesn't appear to be a road to me because it's not depicted as a road but the location and the operations are over here to the west.

BUTCH LAMBERT: If that's the case, then you're in the middle of a permit boundary because you've got permit boundary lines on either side of your proposed well.

JIM KAISER: Do you see that?

RITA BARRETT: I agree. We would have to check to see if that permit has actually been released...if the bond has been released. I assume it has been.

(Sharon Pigeon and Butch Lambert confers.)

JIM KAISER: It would be an issue for the permit application anyway.

BUTCH LAMBERT: Yeah. We were just trying to figure out what the lines were, you know. Is it permit---

RITA BARRETT: I'm sure it means permit boundary.

BUTCH LAMBERT: Okay.

RITA BARRETT: I mean, I can get in touch---

JIM KAISER: I think you've got the permit boundary and then you've got the road and then you've got the well and then you've got the permit boundary.

BUTCH LAMBERT: Okay. But those are highly unusual

permit boundaries. Well, on either side of your unit, you've got what appears to be roads but they don't go anywhere. So, there's just something...that doesn't look correct about the PBs. But, again, that's a permitting issue. But we're trying to determine what's on the map.

RITA BARRETT: And this particular surveyor does tend to have busier plats than normal. I will certainly ask him what all that means and get back to you. I'm sure it---

BUTCH LAMBERT: Well---.

RITA BARRETT: ---means permit boundary.

BUTCH LAMBERT: Yeah, I think it's important... anytime that we have a gas well activity intersecting mining activity that we are able to see that.

RITA BARRETT: Uh-huh.

JIM KAISER: Absolutely.

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

MARY QUILLEN: Right up here it has got Paramount Coal Company's DMLR permit number and then over to the east also DMLR permit number and it gives the number for Paramount Coal. Between those two lines, it say the PB. Then up here at the top---

BUTCH LAMBERT: Yeah, I...I understand and see

that. There's just...if the PBs are permit boundaries they're a little bit odd shaped. I guess my question is, what does those...is that a PB, permit boundary. So, I think we've cleared that up.

RITA BARRETT: I'm sure it is.

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

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: 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, but Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. Thank you, Mr. Kaiser. It's approved. The next item is item nineteen. A petition from EQT Production Company for pooling of coalbed methane unit VC-531356. This is docket

number VGOB-09-1020-2616. All parties wishing to testify, please come forward.

JIM KAISER: Yes, sir. Mr. Chairman, Jim Kaiser and Rita Barrett, again, on behalf of EQT Production Company. We have some...not revised exhibits but new exhibits.

(Bruce Prather and Rita Barrett confer.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, before we get into your testimony, can you explain the revised...the exhibit that you passed out and the purposed therefore?

A. Yes. At the last hearing, Mr. Chairman had asked that for information purposes only that we provide unit information depicting any units around the wells that we're pooling and to also include any mine information that you may have on that particular well.

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

A. I am.

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

A. We do.

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

A. Yes.

Q. What percentage of the gas estate is under lease to Equitable?

A. 84.04%.

Q. And the coal estate?

A. 100%.

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

A. Yes.

Q. So, what remains unleased at this time is 15.96% of the gas estate?

A. That's correct.

Q. Okay. All that entire 16 point or 15.96% is represented by the gas estate owners in Tracts 2, 3 and 4? Is that correct?

A. You're going to have to ask me that again.

Q. The 15.96% of the gas estate that's

unleased, is that represented by the gas estate owners in Tracts 2, 3 and 4?

A. That's correct.

Q. And are all three of those tracts have unknown and unlocateable owners?

A. They do.

Q. Now, were reasonable and diligent efforts made and sources checked to identify and locate any unknown heirs 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, friends and internet?

A. That's correct.

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

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Could you advise the Board as to what those

are?

A. Twenty-five dollar per acre, five year term paid up and one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask that we be allowed to incorporate the statutory election option testimony taken previously in item 2587.

BUTCH LAMBERT: Accepted.

Q. The Board does need to establish an escrow account for this unit?

A. Yes.

Q. And it would be for proceeds that are attributable to Tracts 1, 2, 3 and 4?

A. Yes, due to conflicting claims.

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

A. EQT Production Company.

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

A. This well is 2,279 feet.

Q. Estimated reserves over the life of the unit?

A. 230 million cubic feet.

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

A. Yes.

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

A. It does.

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

A. The dry hole costs are \$136,264. Completed well costs are \$345,463.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

JIM KAISER: Nothing further of this witness at

this time, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Ms. Barrett, on the topo map, could you...for the Board, could you just point out generally where that would be?

RITA BARRETT: It is in here.

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

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: 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, but Butch Lambert, Donnie Ratliff and Bruce Prather.)

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

DONNIE RATLIFF: Abstain.

BUTCH LAMBERT: I have two abstentions and three

yeses. Thank you, Mr. Kaiser, it's approved. Two abstentions, Mr. Prather and Mr. Ratliff. The next item is item twenty. A petition from EQT Production Company for pooling of coalbed methane unit VC-537307, docket number VGOB-09-1020-2617. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, can you explain the purpose of the exhibit that you just handed out?

A. Yes. Pursuant to the request of Mr. Chairman at the previous hearing, he wanted to see all the units around each of these wells and any mine works depicted. In this particular case, we have no mine works.

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

A. Yes.

Q. Does Equitable own drilling rights in the

unit involved here?

A. We do.

Q. Prior to the filing of the applications was an attempt made to work out a voluntary lease agreement with each interest owner?

A. Yes.

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

A. 87.30%.

Q. And the coal estate?

A. 87.30 percent.

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

A. Yes.

Q. So, 12.70% of both the gas estate and coal estate remains unleased?

A. That's correct.

Q. And are there any unknowns in this unit?

A. No.

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

A. Yes.

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

A. I am.

Q. Advise the Board as to what those are?

A. Yes, it's twenty-five dollar per acre paid up bonus, five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask that we be allowed to incorporate the statutory election option testimony taken earlier in docket number 2587.

BUTCH LAMBERT: Accepted.

Q. Okay. In this particular case, Ms. Barrett, the Board needs to establish an escrow account, correct?

A. Yes, Tract 2.

Q. And that will be for proceeds attributable to Tract 2 due to a conflicting claim?

A. Yes.

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

A. EQT Production Company.

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

well?

A. 2,394 feet.

Q. Estimated reserves over the life of the unit?

A. 260 million cubic feet.

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.

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

A. Yes. Dry hole costs are \$174,664. Completed well costs are \$407,786.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

Q. In your professional opinion, would the granting of this application be in the best interest of conservation, the prevention of waste and 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: Do you have anything further, Mr. Kaiser?

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

RITA BARRETT: That's not an exhibit. That's not part of the application. It's just for information purposes only.

JIM KAISER: That's what---

SHARON PIGEON: But you testified to it. So, we want it addressed as Exhibit F. That's what it's marked as.

BUTCH LAMBERT: It's marked as Exhibit F.

RITA BARRETT: Okay.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion for approval 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 Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain.

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

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item is a petition from EQT Production Company for pooling of coalbed methane unit VC-531334, docket number VGOB-09-1020-2618. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. I am.

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

A. We do.

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

A. Yes.

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

A. 75.7690%.

Q. And the coal estate?

A. 100%.

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

A. They are.

Q. So, what remains unleased is 24.231% of the gas estate?

A. That's correct.

Q. Okay. We do have some unknowns in this unit, don't we?

A. Yes, we do.

Q. On the gas estate in both Tracts 2 and 5 we have the unknown heirs of Maude Massie, correct?

A. That's correct.

Q. Were reasonable and diligent efforts made and sources checked to identify and attempt to locate these unknown heirs?

A. Yes. Tract 1 is also the heirs of...unknown heirs of Maude Massie.

Q. 1, 2 and 5?

A. Yes.

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

A. Yes.

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

A. I am.

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

A. Yes, it's twenty-five dollar bonus paid up with a five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: At this time, Mr. Chairman, I'd like to ask that we incorporate the statutory election option testimony taken earlier in item 2587.

BUTCH LAMBERT: Accepted.

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

A. Yes. Escrow a portion of Tract 1, all of Tracts 2 and 5.

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

A. EQT Production Company.

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

A. This well is 3,296 feet.

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

A. 280 million cubic feet.

Q. Has an AFE been reviewed...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.

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

A. Yes. Dry hole costs are \$278,768. Completed well costs are \$507,821.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

Q. And what does Exhibit F that you've handed out to the Board depict?

A. Pursuant to the Chairman at the last Board hearing, this is a map depicting surrounding this particular well showing that there are no map works.

Q. And is this well outside the interior window?

A. Yes.

Q. You will address that in the permitting process with the DGO?

A. Yes.

Q. And in your professional opinion, would the granting of this application be in the best interests of conservation, 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.

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 Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain.

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

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

BUTCH LAMBERT: At this time, we're going to go

ahead and break for lunch. We'll take one hour and be back at 1:00 o'clock.

(Lunch.)

BUTCH LAMBERT: Ladies and gentlemen, it's time to resume our agenda today. We are on item twenty-three. It's a petition from EQT Production Company for modification of the Nora Coalbed Gas Field to allow one additional well to be drilled in unit AU-76, docket number VGOB-89-0126-0009-58. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser, Rita Barrett and Luke Shankin on behalf of Equitable...EQT Production Company.

(Luke Shankin is duly sworn.)

BUTCH LAMBERT: Mr. Hinte, are you going to testify?

CHRIS HINTE: Only if needed.

BUTCH LAMBERT: Probably ought to go ahead and swear him too.

COURT REPORTER: He was sworn in earlier.

BUTCH LAMBERT: Okay.

JIM KAISER: He was.

COURT REPORTER: Uh-huh.

SHARON PIGEON: I guess I was asleep.

BUTCH LAMBERT: Mr. Kaiser, you may proceed.

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, if you could state your name for the record, who you're employed by and in what capacity.

A. My name is Rita Barrett. I'm employed by EQT Corporation as regional land manager.

Q. Do your responsibilities include this unit that we're seeking permission to drill an increased density well in?

A. Yes.

Q. And were all parties owning an interest in the oil, gas and coal notified as required by statute?

A. Yes. It's a 100% Range Resources.

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.

LUKE SHANKIN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Luke Shankin, EQT Corporation as a geologist.

Q. And you've testified before this Board on numerous occasions in regard to a request for increased density drilling?

A. Yes.

Q. And did you prepare a handout this morning to go along with your testimony?

A. Yes.

Q. And if you would, go through that for the Board at this time.

A. Okay. If you guys would flip to the first page, AA. This is just a summary of the infill wells that we've drilled to date at EQT by year. Their cumulative production listed in the middle and then the rate and mmcf per day that we're getting from this wells. You can see we've drilled a total of 147 infill wells with a cumulative production of 3...3,469 million cubic feet of gas at a rate right now of 7.2 mmcf per day.

If you flip to the next page, BB. This just shows a graph charting that production. The blue line is the production curve for the original wells. Then the red is the production curve for the original and the infill wells in these grids and the difference between the two as the incremental rate increase we see from the infills. Again, the last date there shows a 7.2 million per day rate that we're seeing from the infill as the difference between the red and the blue.

CC is a map that just shows the units that we've gotten previously approved in dark grey. The unit we're asking for approval for today in green located in the northeast section of this map.

DD is just a close up of that unit. Again, with the ones right around there that we've already gotten approved.

Q. Would it be your testimony that EQT Production Company is continuing to see enough incremental production out of these increased density wells to justify the additional capital expenditure?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Mr. Chairman, just one question. This unit is located right on the boundary of the Dickenson/Buchanan line, is that right?

LUKE SHANKIN: Yes.

MARY QUILLEN: And you haven't done anything in that area apparently?

LUKE SHANKIN: No infill drilling.

MARY QUILLEN: Right.

LUKE SHANKIN: We have original CBM wells in this area.

MARY QUILLEN: Right. Right. Uh-huh. Okay.

BRUCE PRATHER: So that means you won't have any correlative rights problems?

RITA BARRETT: We don't. If you will refer to the plat, it's 100% Range Resources and you'll see the 750 foot circle around it and then you'll see the additional Schedule A and PL2. That's 100% Range Resources within that 750 foot circle.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: 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, but Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

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

RITA BARRETT: Thank you.

BUTCH LAMBERT: The next item is a petition from EQT Production Company for repooling of coalbed methane unit VC-536082, docket number VGOB-05-1115-1535-01. All parties wishing to testify, please come forward.

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

MARY QUILLEN: Mr. Chairman, may I ask Ms. Barrett a question?

BUTCH LAMBERT: Let's hold questions until we---

MARY QUILLEN: Okay.

BUTCH LAMBERT: And then we'll jump right into that when we get the exhibits passed out. Before we proceed, I had a question from the Board. Ms. Quillen.

MARY QUILLEN: Yes. Ms. Barrett, on this...is this referring to the same request from the Chairman.

RITA BARRETT: Yes, ma'am. We requested mine maps and the coal company has not provided those to us yet. However, this well was coal approved years ago. This well has been drilled. It is currently shut-in.

MARY QUILLEN: Thank you.

BUTCH LAMBERT: Did you check the office of DMME for mine maps?

RITA BARRETT: Mr. Brady checked everything that was available to him as far as I know and he didn't see any mine...mining...mine works in here.

BUTCH LAMBERT: Okay, thank you. You may proceed, Mr. Kaiser.

RITA BARRETT

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Barrett, this is a repooling. We originally pooled the unleased interest in this unit back in

November of 2005, is that correct?

A. That's correct.

Q. Can you explain why we're back here today?

A. This well was drilled in '06 and we were looking at this unit for an increased density well. When we started researching the property in this unit, we discovered the survey and our plat title research that this particular surveyor has missed several tracks in that unit. We immediately shut the well in and applied for repooling.

Q. Can you explain what he missed?

A. He missed...if you will compare his plat to the current plat, he missed Tracts 9, 8, 7 and it looks like Tract 6.

Q. Okay. Being that this mistake has occurred, the well, I assume, was in production at least for some period of time from '06 until current?

A. It was. As soon as we discovered this, I notified Mr. Asbury and I notified our well tenders to shut this well in.

Q. And how did we intend to ratify any royalty issues?

A. Any royalties that have been incorrectly paid on this will not be recouped from the land owner. This royalties on the additional parties that we're pooling will

be paid retroactive from turn online.

BUTCH LAMBERT: At this point, I'm going to ask if Ms. Quillen would take over as Chairmanship. I've found a conflict.

RITA BARRETT: Okay.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: Yes, sir.

Q. Okay. So, what we're going to do is we're not going to go back and try to recoup any royalties from the folks who were initially wrongly identified as owners within the unit---?

A. Right. It was our mistake.

Q. ---because it was our mistake and as far as the folks that we have now discovered through a correct and accurate survey will be paid this proportionate share of any royalty from the date that the well was turned online and not just from the date of this force pooling, correct?

A. Right. I said we were going to pay it retroactive from turn online date, yes.

Q. Okay.

SHARON PIGEON: Jim, could we get a designation on this so we know this is the old---?

JIM KAISER: Do you want to call it AA maybe?

SHARON PIGEON: Let's do. That is the prior

survey.

RITA BARRETT: Yes, ma'am.

SHARON PIGEON: The one missing---.

RITA BARRETT: Correct.

SHARON PIGEON: ---needed tracts. Thank you.

JIM KAISER: Mr. Chairman, do you want to...Ms. Chairman, do you want to take questions now before we go into the regular testimony?

MARY QUILLEN: Yes. Are there any questions for Ms. Barrett?

DAVID ASBURY: I have a question in regard to notice and the election potential. Additional tracts were found in the unit and it changed all ownership percentage. How was that handled?

RITA BARRETT: We noticed...we attempted to lease the additional parties. They have been noticed. They will receive election of participation just like a normal pooling.

DAVID ASBURY: And the people who were originally noticed and---?

RITA BARRETT: They will have an option also.

DAVID ASBURY: Their percentage changed in percentage of their ownership---.

JIM KAISER: I think the question is, did we notice

everybody whose interest was affected?

RITA BARRETT: Yes, we did, because the one tract that...you'll notice the drill site tract has changed considerably as far as the percentage of contribution on the new tract...on the new unit.

DAVID ASBURY: And the owners have been notified of the error?

RITA BARRETT: Yes, sir.

DAVID ASBURY: Okay. Thank you.

MARY QUILLEN: Any other questions?

(No audible response.)

MARY QUILLEN: Okay. You may proceed.

Q. Ms. Barrett, you're familiar with the application that we filed on September the 18th seeking to pool any unleased interest within this unit?

A. Yes.

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

A. We do.

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

A. Yes.

Q. What is the interest under lease to Equitable within the gas estate in the unit at this time?

A. 97.43%.

Q. And the coal estate?

A. A 100%.

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

A. They are.

Q. So, what remains unleased is 2.57% of the gas estate?

A. That's correct.

Q. Okay. We do have an unknown owner in Tract 4 of the gas estate, the Lawrence Turner Heirs?

A. That's correct.

Q. Again, did you make reasonable and diligent efforts to attempt to identify these heirs?

A. Yes. We've tried on several occasions to identify the Turner Heirs.

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

A. Yes.

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

A. I am.

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

A. Yes. It's five dollar per acre paid up bonus, five year term and one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, at this time, we'd ask that we be allowed to incorporate the statutory election... statutory election option testimony taken first today in docket number 2587.

MARY QUILLEN: That will be incorporated.

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

A. Yes.

Q. What tracts will the proceeds need to be escrowed from?

A. Tract 3 conflicting claim, Tract 4 unknown, Tract 5, 8 and 9 claim.

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

A. EQT Production Company.

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

A. 2,853 feet.

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

A. 230 million cubic feet.

Q. And has an AFE been prepared and submitted to the Board?

A. Yes.

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

A. Yes.

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

A. Yes. Dry hole costs \$137,843 and completed well costs \$329,329.

Q. Do these costs anticipate a multiple completion?

A. Yes, they do.

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

A. Yes.

Q. And in your opinion, would the granting of this application be in the best interest of conservation,

the prevention of waste and the protection of correlative rights?

A. Yes.

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

MARY QUILLEN: Any questions from the Board?

(No audible response.)

MARY QUILLEN: You may continue.

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

MARY QUILLEN: Is there a motion to approve?

KATIE DYE: Motion to approve.

BRUCE PRATHER: Second.

MARY QUILLEN: There's a motion and a second. All in favor, signify by saying yes.

(All members signify by saying yes, but Mary Quillen and Butch Lambert.)

MARY QUILLEN: Opposed.

(No audible response.)

MARY QUILLEN: Any abstentions?

(No audible response.)

MARY QUILLEN: Motion carries.

JIM KAISER: Thank you.

MARY QUILLEN: You have approval.

RITA BARRETT: Thank you.

BUTCH LAMBERT: Thank you, Ms. Quillen. The next item is item twenty-five, a petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit consisting of 320 acre for the drilling of horizontal conventional gas wells. This is docket number VGOB-09-1020-2620. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser, Gus Jansen and Phil Horn on behalf of Range Resources-Pine Mountain Oil and Gas.

(Phil Horn and Gus Jansen are duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc.

Q. And your responsibilities include this unit?

A. Yes.

Q. And would it be your testimony that everyone has...all oil, gas and coal owners as required by statute have been notified of this hearing?

A. Yes.

Q. And would it be your testimony that all green cards have been returned?

A. Yes.

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.

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Jansen, if you'd state your name for the record, who you're employed by and in what capacity.

A. Gus Jansen, manager of geology for Range Resources-Pine Mountain, Inc.

Q. And the establishment of this provisional drilling unit for purposes of drilling a conventional horizontal well is...that's included in your job responsibilities?

A. Yes, it is.

Q. Have you prepared a handout this afternoon to go along with your testimony?

A. Yes, I have.

Q. And could you go through that for the Board at this point?

A. Yes. If the Board members will refer to Exhibit AA, this is a map centered in Dickenson County showing the location of previously approved units, horizontal drilling units and the location of proposed unit Range 2620. Again, we're building additional units off units that we've already had established to continue our development of this project.

Exhibit BB is sort of a blowup showing the dimensions of the individual units. It's a 320 acre square unit with dimensions of 3,733 feet, which allows for a maximum diagonal lateral of 4,431 feet. It also shows the 300 foot offset for the production zone, which we targeted

in each well.

Exhibit CC, again, goes into the details of the unit. Again, the dimensions of a 320 acre square unit with a 300 foot interior window with a 600 foot standoff from any adjacent grid...horizontal wellbore producing from the same horizons. We also have a 600 foot distance between any horizontal wellbore and any vertical wellbore producing from the same horizon. This will allow us for multiple wells and/or laterals for maximum drainage and all conventional reservoirs that may be encountered. This also gives the ability to drill a surface location inside or outside the unit so long as the production is within an approved unit.

Exhibit DD is our typical horizontal well plan. Again, we have the same casing requirements as we had in the vertical wells. We have a surface protection stream, as well as a coal protection stream to protect the fresh water zones and the coal zones that may be encountered in the area and it shows the typical development of the curve and the horizontal section of the well in a typical Lower Huron shale well.

Exhibit EE is summarizing the benefits of the horizontal drilling. Again, we're benefitting our working interest owners, the royalty owners and the county who are electing to benefit by maximizing production. This

horizontal drilling will promote conservation of the gas resource and prevent waste by more effectively extracting the resource. This allows us to drill laterals beneath areas otherwise inaccessible from the surface. We have less impact on the coal. We have less environmental impact to the surface per square units to allow for no stranded acreage in those areas.

Exhibit FF is sort of new. This is something that the Chairman had asked us. I want to go into a little bit more detail on why we're doing the horizontal units. What I want to do is just give you a little background on the horizontal shale. We've had some discussions on the economics and the viability of this project as we've moved forward. Historically, in the Nora Field in the area where Range is operating, there has been only about a 140 vertical wells drilled through the Lower Huron and this has occurred from 1950 to the present time. 20 of those wells are actually plugged as non-productive. It never went into production. To sort of a give a time frame on that. Between in the '50s about 30 of these wells were drilled and in the '70s to '80s another 25 wells got drilled. Then from the '90s to the present is about 85 wells have been drilled. All of those new wells in the present time are all multiple formation with production co-mingled with other formations.

So, it sort of makes it difficult to make a direct correlation to the Lower Huron. There's only 10 wells we have production data on. The rest of them are co-mingled, as I said, with other formation. So, we get a little bit correlative here when you do your evaluation. We have techniques such as the well log analysis. We have run some production logging and there's new technologies out there that help you to evaluate your reservoir and the characteristics of that. A log analysis is basically a tool that we can use to identify the different rock types. The geophysical characteristics, the porosity, the permeability and other factors which may influence the characteristics of the reservoir. We also have production logging, which is basically a way to get some data from the wells that are out there and allocate production to different formations. That helps us get a feel for what we're looking at though. So, all of these things go into part of a reservoir modeling approach, which emphasizes production data as empirical at some point and that is the best data out there. But we try to use all of these factors when making these comparisons.

This handout FF, one of my first statements is the shale formation serves as both the reservoir, rock and the source rock, which basically means we're getting the gas from where we're drilling the well. It has not been sourced

from other formation into that area. Just reviewing this historical well production, production data and other factors, we're seeing a very low production out of the Lower Huron by itself. We're estimating somewhere around... estimating ultimate reserves of only about 150 mcf per well. Again, the shale formation would be a minor target in our view today unless it is co-mingled with other producing zones and we typically have done that in the past when we drill wells we've co-mingled with other formations until recently we have stopped doing that with some case. We've talked about where we're actually targeting this to shale and we're preserving that resource to explore it through the horizontal drilling.

So, why are the end of the day are we doing this again? We're talking about the horizontal lateral, which is the horizontal fix and the wells exposing more of the formation than a vertical well. The vertical well... vertically is only exposing about 200 foot of the formation. If we drill horizontally we're trying to get as much as 3,000 or more feet of the formation exposed to help increase the productivity of the well. Over this time frame, we've had new technologies, improvements in drilling, completion techniques. Again, we're talking about wells from the '50s to now and there's lots of different variables in all of

those things. So, we're trying to compare apples and oranges at some point, but we're doing the best we can of what day we have and that's one reason we're drilling all of these new wells and gaining this new information and hopefully have a better understanding. One of the major factors that we've found at this point is the longer the lateral length, the result with a better well production. So, in other words, the more lateral you can expose and the more the rock exposed you have better wells. Again, we've got early production results at this point in time. We've got reservoir analysis that we've done up to this time and bringing all of these different variables in there. We're trying different drilling techniques and different drilling types of rigs, different completion techniques, different sizes of completion and different methods of completion. All of those variables work into this at the end of the day. So, what our early estimations are on this is that the horizontal drilling is somewhere in the range of three to tenfold increase in production as opposed to a vertical well just to give you sort of a ballpark range there. That's a wide range. A lot of that is because of the different variables that we've partly employing ourselves by trying to understand this formation a little bit better, but also trying to improve our efficiencies in drilling these wells.

Again, there's a learning curve on this and we're early on to it. We're just a little bit around two years in actual drilling and producing any wells at this point. And what we want to achieve at some point is a repeatable results, which we take out a lot of these variables and we have something that we think we can do on a repeatable bases and have consistent results. Again, we'll be drilling these wells and it involves an increase cost. With an increased cost, there's probably an increase of risk. We're drilling wells that...in this single formation. But, again, if we...if everything goes as planned, we hope to have an increase in return on the investment there too. We're pleased with what we've seen so far and we will continue this program.

The final exhibit in here is Exhibit GG, which is a production plot of our Virginia and horizontal shale production. Is an average of our 16 producing wells that we have on line to date giving you the monthly rate on the white axis is against the days. We're just a little over a year with actual production data. This plot is actually time zero. Taking all of that production data back to the first day of production and then averaging all of that to where we are today. So, as you get further out in time, obviously, we have a lot less well data. So, this is just an early production of what we've got right now. On an

average well basis, we're achieving acceptable results to continue this drilling program and we will plan to do that again in 2002.

BUTCH LAMBERT: Questions from the Board?

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---a couple of questions for Gus. This proposed new well that you are proposing adjacent to these 4 active wells are all of these wells that are already drilled and active are these all in the same horizon?

GUS JANSEN: The 16 wells that are on this production graph are all Virginia Devonian Horizontal shale wells. The 16---

MARY QUILLEN: But all 16 of them aren't adjacent to this?

GUS JANSEN: Oh, no, no. We have units spread throughout Dickenson County.

MARY QUILLEN: Right.

GUS JANSEN: These are the units...in the original wells, these are actually just the units that have been established to this point. We have actually only drilled in two of these units at this point---

MARY QUILLEN: Only two.

GUS JANSEN: ---2034 and 2107.

MARY QUILLEN: But are they...but are they in the same horizon?

GUS JANSEN: Yes. They're both in the Lower Huron.

MARY QUILLEN: Okay. Okay. And...I lost my train of thought. It must not have been very important. I guess that's all. If I think of it, I'll come back to you.

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

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I noticed on your...I guess it would be your sheet where you had your horizontal well coming down. It looks like you were starting your horizontal part of the well below the Cleveland. Is that correct?

GUS JANSEN: Typically, on a Devonian shale well, we do try and get below the Berea sand and into the Cleveland to start...where we actually start doing our curve part---.

BRUCE PRATHER: That's the first time I'd seen that. Usually most of them haven't been Cleveland with it...with their horizontal.

GUS JANSEN: Right.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: I 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 Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. Let's back up, Mr. Kaiser, just for a second. We had a handout and we didn't---

SHARON PIGEON: It's revised?

JIM KAISER: Yes, Mr. Horn, could you explain what you handed out to the Board?

PHIL HORN: The surveyors revised the property line between Tracts 3 and Tracts 4. We've also worked on this for a force pooling next month. They did some work on the

ground. They just revised the plat and moved it a little bit. They found a fence out there on the ground. So, they...the description is very vague.

JIM KAISER: Again, would it be your testimony that everybody that was entitled to notice under the statute received the same?

PHIL HORN: That's the correct.

JIM KAISER: Thank you.

BUTCH LAMBERT: Any questions from the Board on the revised plat?

(No audible response.)

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

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item is twenty-six. A petition from Range Resources-Pine Mountain, Inc. for creation of a drilling unit and pooling of conventional gas well V-530176, docket number VGOB-09-1020-2621. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc.

Q. Did you participate in the preparation of this application?

A. Yes, I did.

Q. And could you please tell us how many acres are in this unit?

A. 112.69.

Q. So, it's subjected to statewide spacing, is that correct?

A. That's correct.

Q. Now, we've just passed out a new Exhibit B, is that correct?

A. That's correct.

Q. Can you please explain to the Board why we did so?

A. Yes. In our original application, we listed Tract 5 as being owned by Jimmy Smith when, in fact,

it's owned by his brother Johnny Smith. So, we've corrected our mistake.

Q. But we have no new additional...we have no additional parties to notify, is that correct?

A. Johnny Smith also owns Tracts 3 and Tracts 4. So, we had no new notices.

Q. Okay. Now, I assume Range Resources-Pine Mountain has drilling rights in this unit, is that right?

A. That's correct.

Q. And are any respondents that we want to dismiss today?

A. No, other than we eliminated Tract 5 and we never owned anything to begin with.

Q. Okay. Now, as far as the parties who are listed on Exhibit B-3, have you tried to reach a voluntary agreement with those individuals?

A. Yes, we have.

Q. And what percentage does Range Resources-Pine Mountain have under lease currently?

A. 85.826%.

Q. How do we notify the respondents of this hearing today?

A. By certified mail.

Q. And by what other means?

A. Notice was published in the Dickenson Star on September the 30th, 2009.

Q. Okay. Do we have any unknown owners in this unit?

A. No, we do not.

Q. And have you filed your proof of publication and your proof of mailing with Mr. Asbury?

A. Yes, you have.

Q. Okay. And has Range Resources-Pine Mountain authorized to conduct business in the Commonwealth?

A. Yes, we are.

Q. And there's a blanket bond on file?

A. Yes, there is.

Q. Now, if you were to reach an agreement with the parties listed on Exhibit B-3, what would the terms that you would offer to these people?

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

Q. Is this usual and customary for this area?

A. Yes, it is.

Q. Okay. And what percentage of the oil and gas estate has Range Resources-Pine Mountain seeking to pool here today?

A. 14.174%.

Q. Now, with regard to this unit, we do have an escrow requirement, is that right?

A. Yes, we do.

Q. Now, it's not because we don't...we have unknown owners, is that right?

A. That's correct.

Q. What do we have here?

A. We have an overlap between Tracts 22 and Tract 24. All the parties are leased, but the surveyors could not determine the exact property line between the two. It also encountered the same tracts with some prior CBM wells that had been drilled by Equitable.

Q. What unit...what tracts are those?

A. 22 and 24.

Q. Okay. Now, we hadn't originally filed an Exhibit E, is that right?

A. That's correct.

Q. But we have with this Exhibit B revised, is that correct?

A. That's correct.

Q. Okay. Now, what's the percentage that should be subjected to escrow?

A. 14.1...oh, excuse me. It's .28%.

Q. Okay. And that includes both of these

tracts, is that correct?

A. That's correct.

Q. Okay. Now, are you requesting Range Resources-Pine Mountain be named operator for this unit?

A. Yes.

Q. And if elections are made, what would be the address that would be used?

A. It would be to Phil Horn, Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212.

Q. Again, Attention: Phil Horn, is that right?

A. Yes. Attention: Phil Horn.

Q. All right. Now, as far as any other correspondence regarding an order, should that also be the same address?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: Mr. Chairman.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I'm looking at your topo sheet and it looks like there's a house within about maybe a 120 or 30 feet of this location. Is that house actually there?

PHIL HORN: No, that might be an old barn. There's

not a house there.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any other questions?

(No audible response.)

BUTCH LAMBERT: And what about the overlapping areas? How will those be handled?

PHIL HORN: Through escrow.

BUTCH LAMBERT: Okay. Both---.

SHARON PIGEON: He means---?

TIM SCOTT: As far as the royalty is concerned?

PHIL HORN: Oh, oh. We'll testify to that for the exceptional case, I believe. This is a pooling.

TIM SCOTT: We've got two of them for today for this same well.

PHIL HORN: We'll have an exception in two more items for this same well.

BUTCH LAMBERT: Okay.

TIM SCOTT: But you can testify to it now if you want to.

PHIL HORN: Yes, we would---.

BUTCH LAMBERT: It's going to be the same.

TIM SCOTT: It's going to the same testimony.

PHIL HORN: Both circles would be paid for both wells.

TIM SCOTT: Okay. Thank you, Mr. Horn.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: Mr. Jansen is next. Nothing for Mr. Horn though.

BUTCH LAMBERT: Okay, go ahead.

TIM SCOTT: Okay, thank you.

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Jansen, would you please state your name, by whom you're employed and also what you do?

A. Gus Jansen, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. And you participated in the preparation of this application as well, is that correct?

A. Yes, I did.

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

A. 5,399 feet.

Q. And what are the estimated reserves?

A. 350 million cubic feet.

Q. Are you also familiar with the costs, is that right?

A. Yes, I am.

Q. Okay. What is the dry hole cost anticipated?

A. \$297,157.

Q. And the completed well costs?

A. \$534,191.

Q. Now, I believe that you also participated in the preparation of the AFE, is that right?

A. That's correct.

Q. Okay. And that was signed and submitted to the Board with the application, is that right?

A. That is correct.

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

A. Yes, it does.

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

A. Yes, it would.

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

A. I ain't give them the Exhibit AA yet.

TIM SCOTT: Okay. We've got an Exhibit AA here.

A. I also handed out the Exhibit AA as the Board has requested showing the topographic area and any deep mine works that may be associated with the pooling unit. In this particular case, you'll see that the underground mining is associated with the upper Banner seam and this mine is currently active. It is still under permit. But we have an agreement with the coal operator for the placement of this well.

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

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 Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I'll abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. The next item is a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530076, docket number VGOB-09-1020-2622. All parties wishing to testify, please come forward.

DONNIE RATLIFF: Tim Scott, Gus Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn. I'm land manager for Range Resources-Pine Mountain, Inc.

Q. Did you participate in the preparation of this application?

A. Yes, I did.

Q. Okay. Are you familiar with the ownership of this unit?

A. Yes, I am.

Q. Okay. Are you also familiar with the

operatorship of the wells that are depicted on Exhibit A?

A. Yes, I am.

Q. And who operates those wells?

A. Equitable Production Company.

Q. And does Range Resources-Pine Mountain also participate in the operation of those wells?

A. Yes, we do.

Q. Now, as far as the ownership is concerned this is 100% Range Resources, is that correct?

A. That's correct.

Q. Okay. Now, how were the parties notified of this hearing?

A. By certified mail.

Q. And those affidavits of mailing have been provided to Mr. Asbury, is that correct?

A. Yes, they have.

TIM SCOTT: 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 JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, again, your name, by whom you're employed and your job description.

A. Gus Jansen, 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. Okay. Would you please tell the Board why we're seeking a well location exception today for this particular unit?

A. Yes. I handed out to the Board members today an Exhibit AA, which shows the location of proposed well 530076. This well is positioned in an area in an attempt to recover the remaining reserves that are left by several offsets as you can see in this area. Last year we drilled...530074 was drilled last year and the location accepted also. This area is a very productive area in the Berea formation. The other formations were typically not completed in the past. We feel like there's additional reserves that can be extracted from this area. We'd like to make that attempt in this area.

Q. What would be the lost acreage...the stranded acreage if this application were not granted today?

A. 29.05 acres.

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

A. 4,833 feet.

Q. And the potential loss of reserves?

A. 300 million cubic feet.

Q. So, if we grant the application today then we're going to prevent waste, protect correlative rights and promote conservation, is that correct?

A. That's correct.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: It would have been nice if you had moved just a little bit further northeast. It would. Is that just because of location?

GUS JANSEN: Actual...from the location and also I think there's a surface owner that preferred that the well be located as far away from it that we could get it.

BUTCH LAMBERT: Okay. Anything---?

GUS JANSEN: In this case also, there are no mining or any previous mining in this area. We didn't do a separate map, but there is nothing in this area.

SHARON PIGEON: Do you all own that part that's not included?

PHIL HORN: Yes.

GUS JANSEN: Yes.

BUTCH LAMBERT: So, the land owner won't be too upset then.

TIM SCOTT: They would be pretty happy.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: 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 Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. 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-530176, docket number VGOB-09-1020-2623. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, your name and job occupation... your occupation and by whom you're employed, please.

A. Phil Horn, Range Resources-Pine Mountain, Inc. as land manager.

Q. Now, we just force pooled this unit, is that right?

A. Yes.

Q. And so you're familiar with this application, is that correct?

A. Yes, sir.

Q. Are you familiar with the oil and gas ownership, is that right?

A. Yes, I am.

Q. And that's depicted on Exhibit D, which was for notice for this hearing, is that correct?

A. Yes, 24 tracts. Yes.

Q. Right. Who operates the 536762?

A. EQT Production Company.

Q. Okay. Does Range Resources-Pine Mountain also participate in the operation of that well?

A. Yes, we do.

Q. Now, we passed out a revised Exhibit B, is that correct?

A. That's correct.

Q. Now, in this particular situation, we had originally sent notice to just the oil and gas owners, is that right?

A. That's correct.

Q. Based on the force pooling application?

A. That's correct.

Q. But that was revised to include the coal owners, is that correct?

A. That's right.

Q. And they were renoticed, is that correct?

A. That's correct.

Q. Okay. So, we've provided proof of mailing to Mr. Asbury, is that correct?

A. Yes, 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 JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Okay, Mr. Jansen, your name, your occupation and by whom you're employed.

A. Gus Jansen, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. And you also participated in this...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, it shows the location of proposed well 530176 with the

green stippled area. This well is offsetting four wells in the general area. This well has actually been positioned at the surface location...at the request of the surface owner who owns the majority of the surface in this surrounding area. It was the most accommodating place that he would like to have the well on his property.

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

A. 5,399 feet.

Q. And how much acreage would be stranded if this application were not granted today?

A. 93.19 acres.

Q. Okay. And what's the potential loss of reserves if this application is not granted?

A. 350 million cubic feet of gas.

Q. So, if the Board grants our application today, we're going to prevent waste, protect correlative rights and promote conservation, is that right?

A. That is correct.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: 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 Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: Abstain.

BUTCH LAMBERT: One abstention, Mr. Ratliff. The next item is a petition from Range Resources-Pine Mountain, Inc. for a conventional gas well VH-530207, docket number VGOB-09-1020-2624. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Gas Jansen and Phil Horn for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. One last time, Mr. Horn. Your name, by whom you're employed and your job description.

A. Phil Horn, land manager, Range Resources-Pine Mountain, Inc.

Q. And you're familiar with this application?

A. Yes, I am.

Q. And how many acres does this unit contain?

A. 320 acres.

Q. And this was a unit established by the Board, is that correct?

A. Yes, last month.

Q. Okay. Are there any respondents that we're going to dismiss today listed on Exhibit B-3?

A. No.

Q. Okay. And Range Resources-Pine Mountain does have drilling rights in this unit, is that right?

A. That's correct.

Q. What percentage of the unit does Range Resources-Pine Mountain have under lease?

A. 95.125%.

Q. Okay. And how was notice of this hearing provided?

A. By certified mail and also by notice was published in the Dickenson Star on September the 30th, 2009.

Q. Okay. Do we have any unknown owners in this unit?

A. Yes, we do.

Q. And how did you try to locate those individuals?

A. If you'll look at Tract 3 at the northwest corner, L. A. Proto reserved the oil and gas back in the last 1920s. We've...there's no Will or List of Heirs recorded at the Courthouse. We've talked to surface owner Giles Rasnake who now owns the surface. He was not aware of them. If you'll see Tract 4 is Margaret Baker and she's an elderly widow woman. We've been talking to her son Rich Baker who is a pharmacist and he didn't know of them. We can't...to my knowledge, there's not a Proto (inaudible) in Dickenson County, Virginia.

Q. But your efforts are ongoing, is that correct?

A. Yes.

Q. Because you prefer to take a lease if you could, is that right?

A. Yes. We could lease...they could be deemed leased and we could pay them royalties if we could find them.

Q. Okay. Have you filed proofs of publication

and proof of mailing with Mr. Asbury?

A. Yes, we have.

Q. Okay. Range Resources is authorized to conduct business in the Commonwealth, is that right?

A. That's correct.

Q. And you have a blanket bond on file, is that correct?

A. That's correct.

Q. Now, if you were to reach an agreement with the parties listed on Exhibit B-3, what terms would you offer?

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

Q. And you consider that to be reasonable compensation for a lease in this area?

A. Yes, I do.

Q. Okay. Now, what percentage of the unit are you seeking to pool?

A. 4.875%.

Q. Now, you just did...just testified that we have some unknowns, is that right?

A. That's correct.

Q. We do have an escrow requirement?

A. Right. For Tract 3.

Q. Tract 3. What's the percentage that would be escrowed?

A. 2.31%.

Q. And you're asking the Board to pool those unleased parties, is that right?

A. That's right.

Q. And you're also asking that Range Resources-Pine Mountain be named operator for this unit?

A. That's correct.

Q. Now, as far as elections are concerned, what address would be used in the event that the Board does grant our application if people are going to make elections under any order that's entered by the Board?

A. Range Resources-Pine Mountain, P. O. Box 2136, Abingdon, Virginia 246212.

Q. And that's for all correspondence, is that correct?

A. Right. Attention: Phil Horn.

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 JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, again, your name, by whom you're employed and your job description.

A. Gus Jansen, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. And you've participated in the preparation of this application?

A. Yes, I did.

Q. So, you're familiar with the target depth, is that right?

A. That's correct.

Q. And what would that be?

A. 8,562 feet.

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

A. 1 bcf.

Q. And also are you familiar with the well costs?

A. Yes, I am.

Q. What's the anticipated dry hole costs?

A. \$798,607.

Q. And the completed well costs?

A. \$1,524,535.

Q. And you also assisted in the preparation of the AFE, is that correct?

A. That's correct.

Q. And that was submitted with our application?

A. Yes, it was.

Q. Is there a reasonable charge for supervision listed on the AFE?

A. Yes, there is.

Q. Okay. Now, you also have provided to the Board an Exhibit AA. Would you please explain that to the Board?

A. Yes. Again, at the Board's request we provided a map showing the location of the proposed...of the existing horizontal unit that has been established with a topographic background in the area. Also, there is no active or abandoned mining within the confines of the unit. The area to the southeast, it's crosshatched, is the actual PMU of an active mine that is...an inactive mine that is currently idle at this time. It's the old McClure 1 or the DR1-9.

Q. Now, as far the granting of this application, it would be to promote conservation, prevent

waste and protect correlative rights, is that correct?

A. That is correct.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: 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 Butch Lambert and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. Thank you, Mr. Scott.

TIM SCOTT: Thank you very much.

GUS JANSEN: Thank you.

PHIL HORN: Thank you.

BUTCH LAMBERT: Ladies and gentlemen, if we could, let's take about a five minute break and then we have presentations from the folks who have...are going to give us some proposals on our escrow account. So, let's take a five minute break.

(Break.)

BUTCH LAMBERT: We've got one more agenda item to finish up this afternoon. As you're aware an RFP has gone out for the escrow agent for the escrow fund. That contract with the Board will be ending in December. We've had to do an RFP to ask for bids for new banking...for the banking industry to come forward with proposals for the new contract. Today, we have...the Board has requested that the two bidders come before the Board with presentations for this Board and be open to questions from the Board. Today we have two banking firms with us. We have First Bank...First Bank & Trust and we have Wells Fargo/Wachovia. To be fair to both banking companies, the Board will allow you thirty minutes each to make your presentations. At the end of your thirty minute presentation, we will ask the Board if they have any questions for you. So, at this time, I'll ask First Bank & Trust if you'll come forward with your presentation. I'll ask that you please state your name for the record.

KAREN McDONALD: Karen McDonald.

LETON HARDING: Leton Harding.

DEBBIE DAVIS: Debbie Davis.

TOM DAVIS: Tom Davis.

BUTCH LAMBERT: Welcome.

LETON HARDING: Thank you, Mr. Chairman.

BUTCH LAMBERT: We're glad to have you here today.

LETON HARDING: Mr. Chairman, again, my name is Leton Harding. I serve the Executive Vice President of First Bank & Trust Company. And what we've given you here today is some highlights of information. As you referenced, we have thirty minutes to review this information with you and then subsequently answer questions. Under the assumption that a number of the issues and concerning that the Board had were addressed during the course of the RFP, with this presentation here we've taken an option to give you some additional information on our company and also some of the things that we're capable of doing in addition to some information shared with you previously in the RFP.

If you would please turn past the first sheet in terms of the key issues, and again this is from our prospective, but looking through the RFP we've sort of pulled out some things that we perceived to be of great importance to the Board and the staff.

BUTCH LAMBERT: Mr. Harding, just for your information, let me let you know that this Board has not had a chance to look at your RFP.

LETON HARDING: Oh, I'm sorry, sir. Okay.

BUTCH LAMBERT: We will...that's why we asked you to come before the Board---

LETON HARDING: Okay.

BUTCH LAMBERT: ---so the Board can ask questions and then we'll go back and review the RFP.

LETON HARDING: I'm sorry. Thank you, Mr. Chairman.

LETON HARDING: Well, in terms of our review of your RFP in our presentation to you, we feel like there were several key issues for the Board. One, of course, is safety of funds. As a state agency and in terms for an escrow agent one of the most important aspects is protection for the benefit of the folks who are the beneficiaries of these proceeds and the safety of the funds. Another aspect was accountability. That is very important in whoever serves in an escrow agent capacity have direct and substantial accountability to the Board and to the staff. Thirdly, is the access, the availability, if you will, of whoever is the escrow agent for the Board and the staff. Professionalism without doubt is extremely important in that all aspects of

the activities of the escrow agent be handled in the most professional manner. Communication, open and effectively timely communication. And, finally, the other matter related to costs.

Mr. Chairman, we have provided to the Board our mission statement from our company and that's for your future review. But we try to balance the needs of our clients, our shareholders and our employees in all the efforts that we undertake. Many of you know the organization. First Bank & Trust was begun in Lebanon, Virginia in 1979. We were literally the smallest bank in the State of Virginia. We were the last bank formed in the state with one million dollars in capital until Mr. Bailey, the good Commissioner, decided he wanted more money. Subsequent to that, we have...not only did we use to be First Bank & Trust of Russell County, we changed our name as we began to spread our wings. We are locally headquartered here in Southwest Virginia. First Bancorp, our bank holding company, is also headquartered here. Our operation center and executive offices are in Abingdon, Virginia across from the Virginia Highlands Airport. We consider ourselves as being professionally managed and we would note that one of the strong considerations in terms of retention of an escrow agent is the quality and financial strength of the

organization. The First Bank & Trust did not pursue nor do we accept any bailout funds from the government nor are we involved in any activity relating to sub-prime mortgages or other activities therein.

On the next page, Mr. Chairman, it's quite interesting. This sheet we just celebrated our thirtieth anniversary. As a matter of fact, in this very room that we sit here today, we actually had a thirtieth anniversary gathering of our shareholders just a couple of months ago. We have given you some information in terms of our organization. In terms of the growth to almost three hundred employees today. The number households almost 56,000 that we deal with. The public and non-profit entities that we deal with almost 1800. The fact that we have 101,000 different individuals and businesses that we do work with. Since 2004, First Bank & Trust has made 2.1 billion dollars in new loans in the communities we serve. We also are approved by the USDA and FSA as a preferred leader under the Agriculture Leading Program. We think that is of a significance for members of this Board because we had to go through a qualification process. Not all banks that participate with USDA nor the FSA have preferred status. Simply what that means is if we want to bind coverage or guarantee on the part of the FSA we are allowed

to do so without first seeking approval directly from USDA. We have given you some numbers there in terms of the profitability of our company and the growth. We'd like to highlight that over the past three years, First Bancorp and First Bank & Trust Company have been rated 15th, 13th and 11th in the entire United States for profitability for all community banks. We would also note that over those past three years as this study was conducted by the U.S. Banker Magazine that only four organizations made the top 20 list over those three years. First Bank & Trust happen to be one of the organizations. The subsequent material in this section relates to what I have just described to you. We'd be happy to discuss any detail or just provide that mostly for the review of the Board.

Our next section relates to the financial quality of our organization. We'll note that First Bank & Trust is a five star rated bank by Bank Rate Watch. But in the next section we've actually given you our most current financial numbers. It's in the section...I'm sorry, if you continue past there, there's a header that says, "Financial Information on First Bank & Trust." I'll wait until members of the Board get there. I gave you a lot of information, but I felt like that it was very important for you to have that. This is our third quarter 2009 information for First

Bancorp, of course, which includes First Bank & Trust. I'd just like to highlight a few things for you. First of all, if you'll look at two columns, we have September 30, 2009 and September 30, 2008 on the lefthand side. You'll note that we have grown our loans net almost 86 million dollars. Where there has been some word in the press about banks don't want to make loans, we've actually increased our loans by roughly 10%. We recently crossed what we think is a very important threshold for us. The bank has grown from 972 million dollars over 1 billion and 80 million dollars in assets. In addition, we've added...if you'll look at the bottom of that page in terms of shareholders equity, we've increased our shareholders equity from 78 to 89 million dollars...a 10.6 million dollar increase. We also have increased our total deposits by roughly 101 million dollars since this time last year. Just as importantly, in terms of working with First Bank & Trust, I direct your attention to the bottom right hand section, which relates to net income. While others have struggled in the course of this recent time period in the banking industry, First Bank & Trust continues to make money and to increase our earnings. Our net earnings have actually increased 7 and 1/2%, 700,000 dollars over the same period in 2008.

If you would, turn to the next section, basically

what we'd like to stress to the Board is the people who sit here before you today are the key people who would work with you. In addition to myself who oversees the Wealth Management Group for First Bank & Trust Company along with other activities, we have Mr. Tom Davis. Mr. Davis has been in the banking industry for approximately 40 years and served as the head another community banks' trust division and currently serves as the head of our Wealth Management Group. Mr. Davis is headquartered in Stanton, Virginia. To my immediate right is Ms. Debbie Davis. Debbie heads up our operations for our Wealth Management Group. Debbie is actually located in our Kingsport office. In addition to working for First Bank & Trust Company, I'd like to highlight for you that Ms. Davis at a predecessor organization had actually handled the previous account relationship at a predecessor organization on behalf of the Gas Board. To my immediate left is Ms. Karen McDonald, also headquartered in Kingsport, Tennessee and she works with our Wealth Management Investment activities. One of the key things that we think had value to our relationship is the proximity of Senior Management of our company as well as the primary support functions that will work directly with the staff and the Board of Directors of the Virginia Gas and oil Board.

As important as those things are, we think it's also important to note in our next section the resources, the technical and data resources that we can bring to support the activities of the Gas and Oil Board. I would highlight to you that basically we have two distinct technology systems: Infovisa, which is a trust and accounting system, which is used by Wealth Management Group and Jack Henry, which is our bank processing system. If you would, turn past the lead page there. We've provided some specific information for the Board and staff related to the trust systems we utilize. We would note that Infovisa has approximately 150 clients throughout the United States that they provide technique and software support for. It's a privately owned company that began in Omaha, Nebraska as a part of Union Bank & Trust Company.

If you would turn to the next page, we've given you specific information about our...the system that we use through Infovisa. It's called MAUI. MAUI is an Excel/Microsoft based system, which, again, makes our ability to produce reports, generate information for sub-accounts and those sorts of activity very, very strong. Ms. Davis actually heads that system up and has been attending over the past several years numerous Infovisa and MAUI training systems and we feel like she's quite capable in

supporting that activity.

The next section, if you would turn, relates to Jack Henry & Associates. Jack Henry & Associates and their similar like system, which we've provided information on is our online banking systems that we utilize on the commercial side of the bank. As we sit here today, you know, we have our folks in our Wealth Management Group, that's in our Trust Division, of course, there's a Chinese wall there in terms of their activities, the support activity that they give to you as escrow agent for the Virginia Gas and Oil Board and plus their investments. But also the fact that we want you to understand it on our bank side all of our activities are online real time. If you happened go by one of our offices here in Lebanon and make a deposit at five minutes to 6:00, then five minutes after 6:00 you could be at Walmart using your VISA checkcard and the funds would already be in your account. So, we stress the importance of our data systems and how state of the art they are.

Now, in reference to Mr...the Chairman's questions in terms of the RFP. When we submitted the RFP, we looked at all of the activities and so forth that were enumerated in there. The requirements of being a supporting function of a state agency and how important that is and their responsibility therein. During the course of answering the

questions for the RFP, we tried to answer those very forthrightly, but also with great sincerity relating to our ability to meet the standards and requirements of the activities therein. We also, in terms of creating a cost structure, we felt we're very aggressive in our pricing of that and we do it at a fair and reasonable price level. One of the reasons that we felt that we could do so is given the support functions that we have within our organization and our low cost of overhead. When you take a look at our organization, our organization is not about giving things away. If we were about giving things away, we would not have been ranked 15th in country in profitability or 13th the year before or 11th the year before that. We're very, very efficient. We're very proficient with the technology that we utilize.

Now, if I could sort of change horses just a little bit, to this point in time I've addressed with the Board the activities and support functionality that we can provide through our Wealth Management Group to directly support the activities of the staff and the Board as it directly relates to your escrow accounts. I would like to also share with you though another aspect, which relates to the capabilities of our organization to increase the earnings and returns to the Virginia Gas and Oil Board. I

think not only in terms of the potential of this process that we've described, but also I think it serves to remind the Board of the creativity and in terms of being on the cutting edge of product and services that First Bank & Trust would provide. I have provided a section within this review called the Market Rates Summary. If you don't mind, if you can turn pass that first page. One of the greatest challenges that any investor, particularly those interested in safety and who have historically been fixed income investors has to consider, is what kind of rates and return can you receive. I have provided to the Board for its review, effective as of last Friday, a report directly from the United States Treasury related to the Treasury rates. I would highlight for you, if you'll take a look at that sheet, the 52 week column. If you would, come all the way to the bottom on the right hand side. You will note that as of last Friday you could earn 34 basis points. One-third of 1% on a one year Treasury.

If you would, turn to the next page. An alternative for many public entities in the State of Virginia is the opportunity to invest directly through the Treasury Department in the Virginia LGIP Firm. If you will note in the top sort of right hand side about a third of the way down, there's a section there that gives you information

that says, "Yield." It's right under the LGIP logo. It has the State of the Virginia outline with the LGIP logo. You will note in the top...in that area there, that yield on the Treasury fund is 36 basis points. Roughly the same as a one year Treasury.

If you would turn to the next sheet, I have given to you First Bank & Trust's most current interest rates on certificates of deposits, money market and savings accounts and also select larger organizations who do business here in the State of Virginia. The source for this is Right Watch Monitor, which is the National Rate Watch firm that takes a look and provides interest rates to any banker or credit union who wishes to acquire those. As you can see, our rates are fairly reasonable when compared with the rates of return on Treasuries, the LGIP Fund and also in terms of other organizations as in terms of their published rates.

Now, if you would turn to the next page. There's an insert that we provided for you. It says, "Using CDARS for Public Fund." In 2008, Senator Phillip Puckett introduced Legislation to the General Assembly which would allow and clarify that public entities in the State of Virginia could utilize the CDARS program. This Legislation was passed unanimously in both the house Senate and signed by the Governor and signed by the Governor and became

effective and law July the 1st, 2008. The first section there that we have provided for you, gives you the section in the Virginia Code.

If you would turn to the next page, basically in a nutshell what this program allows if for public entities or any person or business to achieve up to 50 million dollars in FDIC insurance through this program. First Bank & Trust is one of the 3,000 banks participating directly in this program. There is a betting process that banks have to go to to be allowed to participate in this program which also considers the financial strength, earnings and so forth.

On the page, we've provided you with information in terms of Promontory Group. This was the group in Washington DC that started this program. You will note there there's a little picture of a gentlemen there. That's Mr. Alan Binder who used to be the Vice Chairman of the Federal Reserve Bank. He and Mr. Isaac who's the former head of the FDIC were part of the group who put this program together. In a nutshell, this program was put together to allow community banks to retain resources in the community they serve. Since First Bank & Trust has begun this program, we now have 52 million dollars in the CDARS program. 40 million dollars of that money is with public entities who have chosen to utilize this program and the

enhanced earnings therein to retain resources in Southwest Virginia and East Tennessee to be utilized for the benefit of those communities.

On the next page or the next section, we have provided to the Board a letter from the FDIC, counselor with the FDIC dated July 29, 2003 relating to the FDIC's approval of the CDARS program and the ability to leverage FDIC insurance coverage. You will note in that letter it makes reference to a \$100,000 FDIC coverage. As you know now, the FDIC limit has been increased to \$250,000.

In terms of the benefits that we think of utilizing the First Bank & Trust Company. One, we have local professionals. They're right here in your neighborhood. They know where Lebanon is. They know where Big Stone is. Within a matter of minutes, they can be assessable to the Board or to members of the Staff. In terms of professionals, we have thoroughly reviewed the RFP and the terms and conditions contained therein and we're quite comfortable based upon on historical support for all the public entities and trust customers, retirement plans and so forth that we have the capability to provide the services requested through the RFP. We have experienced officers and staff. I eluded to Mr. Davis' period of time overseeing trust operations and investments for almost 40

years. We also feel like with Ms. Davis' previous work with the Virginia Gas and Oil Board not only are we asking you to give us an opportunity to support the activities, not only do we have the technical staff... state of the art data systems, but actually have a staff officer who has handled your account relationship in the past.

We understand that it's very important for the Board and staff that investments be very secure and historically that the Treasury obligations and so forth have been utilized. We will follow whatever directions the Board establishes. However, we did want the Board to be aware of another option that we have, which is FDIC insured and at this point in time has the potential to generate for the Board anywhere a 100 to 150 basis points. It went from 1 to 1 and 1/2% more than is currently available by investing directly in U.S. Treasury and Securities of the Government Agency paper. We also note that we think that the fee proposal that we have of 10 basis points is quite a good fee and hopefully would meet the standards particularly in terms of costs when compared with all the other benefits that we feel like that we can provide.

First Bank & Trust is regulated by the Federal Reserve Bank, by the FDIC and by the Bureau of financial organ...institutions in Virginia. We meet all of standards.

We are a well capitalized bank under all of those standards.

Mr. Chairman and members of the Board and staff, we want to take this opportunity to sincerely thank you for given us the opportunity to be here today to share information with you about our company, about what we're capable of doing, the fact that we're...although we're headquartered in Southwest Virginia, that we're one of the top community banks in the entire United States and we're very, very proactive in all of the products and services that we have to offer. Mr. Chairman, thank you.

BUTCH LAMBERT: Thank you. Any questions from the Board?

MARY QUILLEN: I just have one comment. As you know, we have a very large escrow. We have had concerns. We have received correspondence from some of the owners of the gas about the safety of their funds that are in escrow and the fact that we are limited to the \$250,000 FDIC. You mention in here the access to multi-million dollar FDIC insurance coverage. That's one thing I would like to hear a little bit more about.

LETON HARDING: Mr. Chairman---

BUTCH LAMBERT: Sure. Yes.

LETON HARDING: ---if I may. The CDARS, again as I make reference, Mr. Isaac who is former Chairman of the

FDIC and Mr. Binder who is a former Vice Chairman of the Federal Reserve began a number of years ago taking a look at trying to retain financial resources in communities, particularly in community banks. That there was "flight to quality" based upon maybe the size of the organization or in terms of Treasurers and those sorts of things. In terms of providing you with the opinion from the FDIC, basically what happened is that the community banks had banded around the country. There are roughly 3,000 institutions who participate in this program now and that these organizations basically allow for pass through or FDIC insurance. I am at liberty to share with you today, because I have asked Ms. Wilson if I may, that Wise County now has 12 million dollars in the CDARS program. There were a number states like Tennessee and Ohio who had actually began allowing their municipalities and counties to participate in this program from the beginning. Initially, there were some entities in the Virginia who were participating, but they had certain questions. So, therefore, the bankers went to the General Assembly in 2008 and introduced Legislation clarifying that this pass through coverage in the CDARS program was a viable program for any public entity in the State of Virginia to participate in and since that point in time a number of counties and cities and towns and other public entities have

begun to participate and receive the pass through coverage. Right now, the CDARS program itself is limited to 50 million dollars in terms of the coverage. If and when the Board's deposits or funds ever exceeded that amount, we'd have to deal with that. But until you've got the 50 million dollars, we could provide FDIC pass through coverage.

The other aspect here is the interest rate that is paid on any of the certificates of deposit would be the interest rate paid by our bank. This is not determined by our trust division. The people who sit here, but by the bank. That's one of the reasons, Ms. Quillen, I provided you with our current interest rates so the Board could have some comparison to earnings potential versus what's currently available in the market and Treasuries. That is not to say that at some point down the road that Treasury obligation or other investment vehicles would not pay a higher rate. At that point in time, the Board and staff working with our trust division would at the point in time make a decision to go after the best yield that you could for the beneficiaries of the funds you happen to have. But we've been very active with this program from the beginning. As I mentioned earlier, we already have a county that's very close to here that has 12 million dollars in this fund. We feel like it has been a great resource not only for our

bank, but for others to bring money back into the counties from which the funds are from.

MARY QUILLEN: So, that maximum amount is 50 million?

LETON HARDING: Yes, ma'am.

MARY QUILLEN: So, the security versus maybe a lower yield or maybe a flexible yield that would---

LETON HARDING: Well, in terms of the FDIC...I mean, the FDIC is, you know, all the banks in the country participate. The FDIC has a 500 billion credit line through the Treasury. If you are in Treasuries, basically you're dealing with the FDIC, in my opinion, you have the full face of the United State Government that you would have in government obligations.

MARY QUILLEN: Thank you.

LETON HARDING: Thank you, ma'am.

BUTCH LAMBERT: Any other questions from the Board?

BRUCE PRATHER: I have a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: You remarked that probably the escrow account would cost 10 basis points---

LETON HARDING: Yes, sir.

BRUCE PRATHER: ---to manage. What would that equate into money?

LETON HARDING: Well, basically---

BRUCE PRATHER: What would the actual charges be?

LETON HARDING: ---my understanding, sir, is that right now the escrow account has 23 million or so.

BRUCE PRATHER: 24.

MARY QUILLEN: 24.

LETON HARDING: 25 million.

MARY QUILLEN: 24.5

LETON HARDING: 24.5. Tom, correct me if I'm wrong or Debbie, but I think that's basically about \$25,000 a year. We did include in our RFP the fact that we felt like we would have to have some work initially to, you know...extra time and effort to move the account over. So, we do have a one time fee of \$5,000 for extra work to actually open the account and do all the keying and so forth. That was more less just in case we had to bring some additional resources in. But basically our fee ongoing...the \$5,000 is a one time fee. The ongoing fee would be 10 basis points of the value of the escrow at any point in time. If it grows, the fee would go up. If, of course, you made distributions to beneficiaries that fee would go down.

BRUCE PRATHER: Yeah. See one of the problems that we have is that if we would happen to say run this account

down to 10 million dollars, would your fee be the same---?

LETON HARDING: It would be the same, yes, sir.

BRUCE PRATHER: ---or would it be pro-rated down?

LETON HARDING: No. Well, it would be the same...I mean, from our prospective, again, the computer systems and the things that we have make us very efficient. Once we get the information keyed in there, the systems provide, you know, great technical ability. I would note that our smallest accounts, Debbie, correct me if I'm wrong, is maybe a \$25,000 cemetery trust in Damascus, Virginia. So, we do service accounts of different sizes.

MARY QUILLEN: I have just one thing to clarify on what Mr. Prather just said. That's the 10 basis points---?

LETON HARDING: One-tenth of 1%, yes, ma'am.

MARY QUILLEN: Right. ---based on the balance?

LETON HARDING: That's correct. So, if---

MARY QUILLEN: So, it wouldn't necessarily mean that \$25,000 dollars per year---.

LETON HARDING: That's correct.

MARY QUILLEN: ---would fluxate with the balance. It's the 10 basis point times the balance.

LETON HARDING: That's correct. If the account grew to 30 million, it would 30,000.

MARY QUILLEN: Right.

LETON HARDING: If the account shrunk where distributions were made at 20 million, it would be 20,000.

MARY QUILLEN: Right. Very good.

BRUCE PRATHER: I have another question. Like the CDARS program that you've got, would pay to participate in that program?

LETON HARDING: No, sir. That...any costs in terms of participation is born by our bank. There is an administrative fee that our bank does pay to participate in that. It varies based up the terms of the certificate of deposit. But basically what we do is we would offer you an interest rate and the rates that I have shared with you in the handout would be the rates, which we would effectively offer to the Board and that was as of last Friday.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any other questions from the Board?

BRUCE PRATHER: I've got one more question. Are there any other fees besides your 10 basis points that say come up in the event the principal of this escrow account goes way down?

LETON HARDING: Sir, in terms of completing and comparing for your review of the RFP, we did not include any additional fees.

BRUCE PRATHER: Okay.

LETON HARDING: You know, carve outs of any kind.

BRUCE PRATHER: Okay. It sounds good.

TOM DAVIS: Other than the \$5,000 for the initial  
setup.

BRUCE PRATHER: That's the initial startup. Okay.

SHARON PIGEON: Mr. Harding, where do you office---  
?

KAREN MCDONALD: In the car.

(Laughs.)

SHARON PIGEON: That's not reassuring.

(Laughs.)

LETON HARDING: No, I understand. Actually, my  
offices are our operations center, which is directly across  
from the Virginia Highlands Airport therein Abingdon,  
Virginia. But I do travel quite a bit. But I do have my  
cards with me and I always carry my Blackberry with me too.

SHARON PIGEON: All right, thank you.

BUTCH LAMBERT: Any other questions?

DAVID ASBURY: Mr. Chairman, I've got a question,  
if I might.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: To be clear, you were given options  
of what the investments could be. Let's say you was the  
successful candidate for the Board, what is your

recommendation of that investment and where would the Board's money go and what rate of return would it receive based on your current information?

LETON HARDING: Mr. Asbury, Mr. Davis has extensive background in terms of investment. At this point time, with Treasury rates being as low as they are with Virginia LGIP fund being where it is, the opportunity to generate additional \$200,000 to \$250,000 a year in earnings based upon the current CD rates in our CDARS program. Also, Ms. McDonald, we had her to research brokerage CD rates throughout the United States to get some feel for how brokerage CD rates would compare, which would have the potential to offer \$250,000 FDIC insurance coverage, we found that our rates were significantly higher. Again, that's the reason I provided the information on terms of the Treasuries. I do not know presently what...none of us know what your investments are in the fund and what kind of return you have. All I knew was from reading the RFP that generally the description was for U.S. Government securities unless otherwise directed by the Board. By being FDIC insured, being able to pass through the 50 million dollars in FDIC insurance, I think we do away with hopefully risk in terms of the underlying assets and are comparable in terms of the U.S. Treasury or the U.S. obligations with the

potential as I said to make, you know, 1% more on 20 million dollars, which would be \$200,000.

TOM DAVIS: If I could add to that, right now Treasurer rates are very low.

DAVID ASBURY: Yes, sir.

TOM DAVIS: Okay. That won't be for ever. At some point, they'll rise and the market rises faster than Bank Boards do establishing rates. So, there will be a point in time when the Treasurer rates will be higher than the CD rates. That will be one of our responsibilities to make sure that we make that move when that occurs. Right now, we're looking at the 90 basis points to get to the CD rates. So, we've still got a ways to go.

DAVID ASBURY: I want to make sure that I heard you correctly. So, you're saying now the investment will be in our...the interest income on this fund would be somewhere in the neighborhood of 90 to 1 basis point higher.

LETON HARDING: 100 basis points. 1%, yes, sir.

DAVID ASBURY: 100 or 1% higher than what we see right now see with---

LETON HARDING: In terms of Treasury...in comparison to the Treasury rates, we do not know, again, the pleasure of the Board or staff as to the structure or (inaudible) we call laddering. Our much do you have the

three months or six months or nine months. We would need the direction of the Board because we do not understand your cash flow needs completely. As you said, you're doing payouts and other things. So, it would be very important for us. But going under the assumption that the Board would be utilizing a one year or a two year time horizon for investments and even given the fact that as low as even, I think, Tom, the 10 year Treasury rate is around, what, 3---

TOM DAVIS: 341.

LETON HARDING: If you went and bought a 10 year Treasury now you would get 341. That's a lot of risks going out for another 9 years for a modest increase in return. As I said, I want to be very clear with the Board. We're here today in two capacities in essence. One, of course, is in terms of the escrow agent relationship. Providing that resource for you and that support for you and as we eluded to what we feel like our cost would be in terms of providing you what we think our technical resource support is. The second aspect though is the opportunity through the CDARS program to increase the yield return. Those are two distinct things. At the Board's pleasure, if you decided to retain us for the agent relationship and you said we're not interested, we understand. But we did want to make you aware of the CDARS program and the enhanced opportunity for

yield. I think in companionship with the agent proposal, it just demonstrates the creativity that we bring supporting the needs of our customers and our customers and clients.

BRUCE PRATHER: I have a comment.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: One of the problems with our escrow account has been the fact that we're looking with the public's money. In other words, I'm not talking about the State of Virginia. We're talking about royalty owners. These were individual people. Basically what it amount to is it's awfully difficult for us to risk anything---

LETON HARDING: Yes, sir.

BRUCE PRATHER: ---by having that type of money as being the risk capital. So, that's one of the problems with this escrow account is the fact that we cannot take much risk.

LETON HARDING: Yes, sir. And, again, one, we understand we work directly at the direction of the Board. Secondly, being FDIC insured, I think, is a very strong statement and the opportunity to pass through to your beneficiaries a reasonable rate of return, an increased rate of return, maybe what's generally available in the market, with the FDIC insurance coverage, we think, is sound business practice.

TOM DAVIS: But if the Board were to decide that they just wanted to remain in Treasuries than we're fine with that also.

BRUCE PRATHER: I mean, (inaudible).

LETON HARDING: Well, what we found, Mr. Prather, is that for many communities, counties, cities and towns that we work with, I would note that of our total deposits of roughly 900 million dollars we have almost 105 million of that over public entities. So...and as we stated in our RFP, Augusta County, Washington County, Russell County, Wise County, the City of Norton, People, Inc., you go down the list, we have developed a tremendous niche in supporting the needs of public entities. One of the primary assessments of those public entities is that they want to be safe. Many of the people who put money with us, like Fred Parkers or the Rick Holmes in Augusta County, they not only want it to be safe, but they also have to run for reelection and we also understand that too.

BRUCE PRATHER: We stand for reelection.

LETON HARDING: Well, you may be a further removed than many of our clients.

MARY QUILLEN: And we have, you know, small owners that own very, you know, small amounts of various units and wells and they're not big---.

LETON HARDING: Yes, ma'am.

MARY QUILLEN: ---clients. But---.

BRUCE PRATHER: How many people are in the escrow account? How many...how many---?

MARY QUILLEN: And it's their personal money.

LETON HARDING: Yes, ma'am.

MARY QUILLEN: I mean, they're depending on this and they're depending on us to protect it and invest it in the most safe and secure so that they can feel safe and secure.

LETON HARDING: Well, that's, again, we felt like the Treasury direction that historically has been undertaken is very safe. However, we do think there was another option that we wanted to present to the Board today as well.

MARY QUILLEN: But the 50 million dollar FDIC sounds very reassuring.

LETON HARDING: Yes, ma'am. Well---.

MARY QUILLEN: And I think it would be reassuring to the people that we're serving.

LETON HARDING: Yes, ma'am.

TOM DAVIS: We would probably never take it up to the 50 million. We would be in the Treasury well before that---.

MARY QUILLEN: Sure.

TOM DAVIS: ---if the funds were to grow to that point.

DAVID ASBURY: Mr. Prather, to answer your question, there's 759 units currently.

BRUCE PRATHER: That's how many---?

LETON HARDING: Yes, sir.

BRUCE PRATHER: ---royalty owners?

DAVID ASBURY: No. That's how many units.

SHARON PIGEON: Units.

MARY QUILLEN: Units.

LETON HARDING: Units, yeah.

DAVID ASBURY: And if you say---.

BRUCE PRATHER: 5,000 people involved.

MARY QUILLEN: Yeah.

DAVID ASBURY: There's probably more than 15,000.

BRUCE PRATHER: Oh, you think---.

MARY QUILLEN: 15,000. So, you know, these are people that have small investments---.

LETON HARDING: Yes, ma'am.

MARY QUILLEN: ---in this. So, we're responsible for---.

LETON HARDING: As I highlighted earlier, our bank started with 1 million dollars in capital. We had 500...our stock was \$20 a share. So, we...our Board spent three

meetings debating whether or not to buy a fax machine.

(Laughs.)

LETON HARDING: So, we understand the value of---.

MARY QUILLEN: Right.

LETON HARDING: ---protecting small assets.

BUTCH LAMBERT: Mr. Harding, thank you.

LETON HARDING: Thank you.

BUTCH LAMBERT: I appreciate you taking your time  
to come down here.

KAREN MCDONALD: Thank you so much.

TOM DAVIS: Thank you.

DAVID ASBURY: From the staff, thank you very much.

BUTCH LAMBERT: The folks Wells Fargo/Wachovia.

(Pass out packets.)

BUTCH LAMBERT: I'd ask that you please state your  
name for the record.

PATRICK DIXON: Patrick Dixon.

BETH WEXLER: Beth Wexler.

ROB WEISS: Rob Weiss.

JAY SMITH: Jay smith.

BUTCH LAMBERT: Folks, thank you for coming. We  
appreciate your interest as the escrow agent. As I said  
before, we'll give you 30 minutes to make your presentation  
and then we'll allow as much time as the Board needs for

questions.

PATRICK DIXON: Okay. Thank you very kindly. Again, my name is Patrick Dixon. I have been...or had the distinct pleasure of being the Board's primary contact since 1999 at the time when the Board selected First Union National Bank to replace the predecessor institution. At that time with previous Board and previous Staff, although Ms. Hunt was here at the time and there may be others in the room that were on the Board too, maybe Ms. Pigeon, but in any event, one of the reasons that we were selected as an institution at that time was due to a high degree of uncertainty, some financial irregularities, reconciliation issues and other types of concerns about integrity of the data. The reason I bring that up is I'm unaware since the last ten years have passed where we've had one single incident of financial integrity of reconciliation that was of some sort of concern to the Board. That's not to say we haven't had issues of discussion of issues that we have had to resolve together. But there has not been any (inaudible) problems related to that. I bring that, as I said, to sort of refocus us today to talk about Wachovia and Wells Fargo, the strength of that entity and where we see the Board's potential to go to the future for enhanced reporting capabilities in safety and security. My colleagues to the

left of me will be the primary day to day liaisons for you as it relates to operation of information, receiving of escrow Board deposits, disbursement of funds and the like. However, in my role as Senior Relationship Manager for the Board over the years, I will be the Senior Liaison for that relationship to make sure we continue the same level of customer service and attention to detail that you've experienced from us in the last ten years. So, with that being said, I'm going to defer to my counterparts, namely Rob Weiss who will lead us through our presentation.

ROB WEISS: Thank you. Thank you, Patrick, and thank you for your time. We know you've had a long day. So, we've chosen to provide you a couple of handouts that track the information that we provided in our RFP with the focus being on talking about how we will manage what is very, you know, an important task. Operationally day to day how we will manage our escrow account. So, along those lines, if you'd like to ask questions a long the way, please don't hesitate. We'd like to make it as informative as possible.

I'll quickly go through the agenda. I'll introduce the team here. Then what I'd like to do it talk a little bit about Wells Fargo and Wachovia in terms of both of our commitment to Virginia because we are very much a

local bank here in the State of Virginia, as well as our financial strength, which is critical to you as you select an escrow agent. I will specifically talk about escrow group. We have a group of dedicated professionals who only do escrow administration. They're not in personal trusts. They're not in wealth management. They're in escrow administration. This is a type of work that they do everyday. So, we want to talk about their background, how we'll structure that team and what they will do for you. I'd also like to talk briefly about some of the enhancements that will bring to the current process from both an operational prospective and as well as reporting prospective. I touched a little bit about our risk management, processing systems and then, of course, throw it open to any questions that you have.

So, let me start briefly just with introductions. You know Patrick. Beth Wexler is V.P. and Senior Relationship Manager. She is responsible for escrow administration. Jay Smith works with Beth. He too is a V.P. specifically focused on administering escrow transactions. I'm responsible for business development, again, solely on our escrow and corporate trust unit. I work closely with Beth and Jay and Patrick in servicing the escrow accounts that we administer in Virginia.

I'd like to start just briefly with the single page that I handed out to you because it's important...the one entitled "Wells Fargo - Commitment to Virginia." We are very much of a local bank here. We possess the financial strength and the resources of a national bank, which is a very important combination for you. Wells Fargo/Wachovia has 11,000 employees with Virginia and over 400 offices. During the last year, we've donated more than \$10 million and have documented 60,000 cumulative hours of employee time spent on charities within Virginia. On the trust and escrow side, again, for what you are specifically looking for the candidate to do, we administer more than a 100 trust and escrow accounts in the Commonwealth. The total value of in excess of one and a half billion dollars. Also, just to note here in terms of our commitment to Virginia, we've been very active in originating mortgage loans. We've originated more than 3 billion dollars in loans that are targeted to communities, consumers, homeowners, all within the Commonwealth. So, we are here as a local bank with a local presence. But what we have that is very unique is the balance sheet and the capitalization of a very strong national bank.

On the next page, on page, two in the handout, I just reiterate that point by showing to you our credit

rating as identified by Moody's and Standard & Poor's. We're a AA entity from both Moody's and Standard & Poor's, which is among the highest ranking a domestic U.S. Bank has in this market place. Wells Fargo has historically been a AA bank. We aim to be a AA bank again. The merger with Wachovia will bring us tremendous (inaudible) and tremendous opportunities to grow our balance sheet and to add to the capital that will lend to providing you with the upmost safety and soundness as we administer your account.

Financial strength, just to show you on page three. Wells Fargo last year in what was a very difficult year and in the year that included our acquisition of Wachovia, we were still one of the most profitable banks in the country. Our returns are noted on this page, pre-tax and pre-division earnings, 17.5%. Our average cost of deposits was significantly lower than our competition. Our net interest margin was higher. Importantly, on the next page, the numbers just are large. But it's important to keep them in prospective, a profit of 2.7 billion. But what does that really mean for you? It means in terms of the way the bank is capitalized we had at the end of 2008, which was the most recently available full year statements, 86 billion dollars in capital. Patrick mentioned earlier in his introduction that, you know, the integrity of the

institution, the ongoing strength of the institution, your ability to tell your constituency that they have the balance sheet of an entity that is not going anywhere with 85 billion dollars of capital and growing. It's very, very important from a safety and soundness prospective.

I'd like to talk a little bit about our escrow services. We have been in this market providing escrow administration since 1934. Across the country, we administer over 3 trillion dollars. As I mentioned in the Commonwealth, we're administering more than a 100 different accounts with assets in excess of 1.5 billion. The comparative advantage of our business and the strength of our business is customer service. We have skilled and experienced professionals. This all that Beth and Jay and the supporting members of their team do day in and day out and they're supported with state of the art proprietary technologies that Wells Fargo/Wachovia have developed and invested in with redundancy. We're not depended upon third party providers of systems. We have a team of over 100 technology professionals in our escrow unit that have helped us developed these systems and I'll go into more detail about it later. So, we bring all of that to the table and our success has been without ever purchasing another (inaudible) business. All of our growth has been

organically generated through reputation, through service and we're the only dedicated provider of escrow services...true escrow services, which you're looking for us to do, not anything else, we're the only dedicated provider amongst national large Virginia banks to never exit the market. We're committed to staying.

Now, in terms of the escrow services that I've talked about, beyond the work that Patrick and his group have done so well for you in the last ten years, we service trustee and escrow agent on numerous other transactions that are similar in complexity to the escrow accounts that you are asking us to administer. Essentially, if you boil down the responsibilities, we receive and disburse funds to numerous parties. We invest those proceeds promptly. We track and report all of the account information and on a hands on daily basis we anticipate and work with you to address issues that might come up whenever they do come up. We will dedicate an account team to the Board that's highly seasoned and experienced in all nuances of escrow account administration. We'll work closely with Patrick and with Derrick and we will meet all of the specific needs and requirements that you have laid out in the RFP.

On the next page, I've just identified for your reference four entities can provide references should you

wish to check. All of these entities, in addition obviously to yourselves, have significant balances that Wells Fargo manages as escrow administrator and we'd be happy for you to speak with anyone of them at any time that you would like.

Now, with respect to the dedicated account team, again, highly qualified and experienced. We will continue to service the Board from Roanoke and we will support them with a team of escrow professionals that will be based in Columbia, Maryland and in Roanoke, Virginia. This group will have access to especially a dedicated unit within our escrow services group called the Investment Advisory Services. This is where we will sit and work with you and identify all of the various permitted investments that are available to you and decide which of those investments are best with the goal of maximizing the safety, preservation of your principal and yield. You have some very unique requirements. You have unique cash flow needs. You have constituencies who depend upon you to deliver safety and soundness. With a escrow group such as the one that we will offer to you, on our systems, should you choose to deposits into one of the vehicles that we offer, which an escrow account depository account, those funds are segregated from the assets of the bank such that in the event of any type of financial distress where anyone comes to the bank in terms

of making claims on the assets beyond the capital that I discussed earlier, these accounts...these assets are segregated from the other assets of the bank. So, it's very important that you select someone who has trust and fiduciary powers and who can place your proceeds in the escrow accounts that have that protection. We can invest those proceeds in a variety of instruments. We've heard today about Treasuries. We've heard about CDs. We've heard about funds. All of those are committed investments that Wells Fargo can accommodate and can invest at direction. We have our own views on which ones might be better for you. Certificates of deposits are largely liquid. There are penalties for early withdrawal. We are not a community bank. So, we are not part of the CDARS program, yet we have access to CDARS based CDs that we purchase on behalf of some of the entities that I've outlined as references. They are not appropriate in all instances, depending again upon liquidity and preservation of capital requirements. But we have the whole toolkit available. We'd work with you and with our investment advisory group to sit down on a continuous basis to identify which alternative made the most sense for you and we would put the monies to work in that fashion.

The team dedicated to you, Patrick Dixon, who you

know, has done a wonderful job working with you through the years. Derrick Dewalt, who has done a lot of the heavy lifting in terms of administering on a day to day basis of the escrow account. He will work very closely with Beth and with Jay and a woman by the name of Lori Evans, who will support Beth and Jay and myself. I will work with Patrick to help coordinate and make sure that all of your needs are met with specific focuses on the investment side. Beth and Jay have almost twenty years of experience specifically administering escrow accounts. Jay is also a certified trust specialist and licensed CPA. We spent a lot of time with Derrick walking through nuances of the account. We understand how it works. Derrick will remain on the team with us to make sure that the transition to the more sophisticated systems that we're going to imply is smooth. I'll walk you through some of the enhancements that you'll get from working with our team.

What we will continue to do though is to maintain a personal delivery model that you've become use from Patrick and his group. One point of contact, Jay Smith will be your day to day contact working very closely with Beth. Should you have any questions at any time, Jay, Beth, myself, Patrick, Derrick, we all be intimate with the account. But for your ease of operation one person day to

day, Jay would be the man. He will...he will tribute and track deposits. He will track the interest earned. He will ensure that withdrawals are effective in a timely basis. He will facilitate, making sure that we...once we've chosen the appropriate investment for you, which again satisfies safety, preservation of principal, liquidity needs, Jay will make sure that it happens. He will facilitate all of the daily account reconciliation group real time access that I will get into in a second that you will have to all information and statements.

In short, all of the requirements that you identified in the RFP in terms of reporting, reconciliation and on demand reports we will provide. Many of them will be online. Most of them we can create ad hoc reports for your best ease of use. We will work with you to make that happen.

Let me focus briefly on the enhancements to the work flow that we currently enjoy and that has worked so well with you. We would recommend implementing a lockbox, which we believe will improve security and accuracy of record- keeping. We're not just going to us a bunch of Microsoft/Excel spreadsheets. We want to do this in a fashion that provides you with the upmost security and access to automated information. So, lockbox will do that.

All of the checks and all of the supporting documentation will be imaged. All of the information will be available on an online basis both to you as well as to us as escrow agent on a real time basis. The funds within a lockbox will be transferred by Wells Fargo to the escrow account that is held for your benefit and invested immediately. We, of course, will reconcile the funds on a daily basis. We will also provide all of the tax reporting that you require whether it be the form 1099s, miscellaneous, or the form 1099s INT for owners who elect the royalty income and we also recognize that now the form 1065, the U.S. Return of Partnership Income will be important for you as well as you'll have owners who have probably already have become selecting and will select a working interest in the mine or the well. We will ensure that all of your tax reporting needs are met and addressed.

I'd like to focus quickly on the...on the enhanced reporting capabilities. Again, both the reporting capabilities and the systems that we use to support this capabilities, as well as our operating systems, are all proprietary Wells Fargo/Wachovia systems with redundant disaster management plans to ensure that in the event that things go down, that we have redundancy. We're not depended on an outside vendor to make sure that they're doing their

job. We'll be doing our job. The information will be available to you on a real time basis online. That's with respect to all of the information in the lockbox, as well as all of the Micro account information. That will include online statements. We will, of course, provide to you hard copy form statements on a monthly basis or on as needed basis. All of the information in the account is secure through user ID codes, password combinations, state of the art data encryption. You will have total control over who used the information online. You will be able to create reports for you that reflect both current as well as historical information. Any kind of date requirements that you or pro-requirements that you have with respect to operators or folks who have interest in the mines, we'll be able to generate those reports for you. We can provide you with both the demonstration of our online reporting system as well as provide your with assistance in training and getting up and going. We will always be working there with you so should you ever have any questions once you're up and going, it's simply a phone call or a visit from one of us to help straighten that out. We will use some sophisticated internal database. Some systems that will allow us to really report receipts and disbursements, however you want to cut it whether it will be by mine, by mine/well, by

working and royalty interest. We will be able to provide on demand reports for you that can be provided to whomever you want. Again, whether it be your own purposes or whether it would be the operators, whether it would be for the participants in the mines or the wells. All of the information will be organized as you desire to be and will be delivered when you need us to deliver it.

On Risk Management and Processing Systems on page fourteen, it's very, very important. Again, as an entity that is dedicated, this business is dedicated solely for servicing and administering escrow accounts. We've invested in an technology, the compliance, the risk management systems to make sure that everything is robust. That everything is integrated so that we're providing you with the best efficiencies possible. As I mentioned earlier, we've got a dedicated team of systems and technology professionals that support what we do. We have a dedicated risk management unit with the escrow group that employees expensive...very expensive internal risk and performance monitoring programs, to be a second eye. Just to make sure that we are and continue in compliance with all quality control aspects of what we're doing. Again, we're providing you with the best service possible. There is a rigorous secondary review of every transaction that we administer.

We have a wire system that's dedicated specifically to our escrow services unit called Online Wire Notification. Therefore, we're not depended on the wire room of the bank. We have a wire room that's dedicated to our escrow group so that funds get where they need to go quickly and accurately. I can go into further detail about some our Corp Operating Systems, but the most important thing to say about them that, again, they are internally developed with redundant plans. The FCI Trust system is a system that I believe others subscribe to. Some of the largest escrow providers subscribe to. We share technology with that group. We're on an operator committee that governs further development on that system. So, the focus on systems' safety and redundancy is very critical for us.

In order to efficiently execute the enhancements that we're bringing to the table, we've talked to Patrick and are aware of how he has managed the account and priced that accounted. We have suggested here that we've got a 12 basis per annum fee. We also have an account charge that would be an monthly basis. There would be no other base or accounting or reporting fees. No investment management fees. To do the 1065's, which are fairly intensive from a preparation prospective, we would probably need the support of some internal resources at Wells and would just cap

whatever our costs is an pass that through to you at \$500 per form. Now, we attempt to do things as cost effectively as possible. We are offering a very sophisticated approach, a dedicated approach to handle this program that we've managed. If you look at the success that you've had in the past ten years with respect to how our Wachovia teammates have administered this account, we are going to take that model and further enhance it. So, what you will have is a very streamlined and very focused effort that we'll...we think yield to you, you know, great results. You will have access to all of the information that you inquire. You will be able to provide your constituencies with the comfort level that they've been an expert in escrow administration. It's going promote their safety and soundness first and foremost in getting this done.

With that, we'd like to open it up to any questions and we can certainly focus on any areas in any greater detail. The RFP response that we've provided has tremendous detail as to all of the points that I've covered here. We wanted to give you, you know, a high level of overview of what we've presented. So, thank you.

BUTCH LAMBERT: Thank you. Any questions from the Board?

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

Will the FDIC coverage still be \$250,000?

ROB WEISS: The FDIC coverage is still \$250,000. We are able and do purchase on behalf of some of our escrow and trust accounts CDARS base CDs that extend the FDIC insurance coverage. We, in many instances, don't always believe that that's the appropriate vehicle of choice for folks. Again, they are a liquid. They have penalties for withdrawal on a early basis. The yield advantage is in some markets can be advantageous. We would look at that instrument in concert with other vehicles that we could bring to the table for you.

MARY QUILLEN: And you said you could purchase them, at what cost or would that vary?

ROB WEISS: No cost...no cost to you. I mean, we...when we manage investments for the escrow accounts that we've administered. We basically have a variety of different things that we can look at ranging from investments in escrow depository account to money market funds to ladder portfolios of government securities to direct purchases of government securities to CDs. So, we have every tool available to us. Again, typically, in the escrow world the cost preservation of principal is so critical and plus liquidity is critical, we often use the escrow depository account and/or a money market fund that's

AAA rated to obtain those objectives. But there are times and instances, depending upon the cash flow requirements of who we're working with that we either will purchase directly government securities and/or create ladders of securities that will maximize your yield or, again, we sometimes look CDs, but, again, often find that they are not ideal given cash flow requirements for the escrow accounts that we administer. But we have every tool available to us. There's no cost to you. Depending on whatever vehicle we choose after we discuss this with you, we'll go ahead and make the investment. There's no hidden fees. There's no asset management charges. We're not going to hand you a bill for purchasing a CD. That's all included in what we do as part of our base service to you.

MARY QUILLEN: Well, as you've heard probably previously, we have about 15,000 individuals that are depending---

ROB WEISS: Yes.

MARY QUILLEN: ---on us to protect their investment. Many of them depending on that income---

ROB WEISS: Yes.

MARY QUILLEN: ---that they get from this and that's the reason we have to be extremely cautious.

ROB WEISS: yes.

MARY QUILLEN: We want to make sure that they are protected---.

ROB WEISS: Right.

MARY QUILLEN: ---and we don't devastate their lives by making bad decisions.

ROB WEISS: Absolutely.

MARY QUILLEN: So, we, you know---.

ROB WEISS: And this is why we typically do not use CDs and bank issued paper. That's why typically manage our escrow accounts by placing the proceeds in what I referenced earlier, which is an escrow depository account. Again, you know, you want to maximize yield. But at the end of the day, you'd rather be able to tell your constituency that you're getting them the best yield possible that you are not sacrificing the fact this is a stream of income that (A) they know will be there; and (B) that the capital...the preservation of the principal those balances are ongoing aren't going anywhere. That should needs change and in escrow world it's very difficult to invest in CDs because you have locked in time frames. Well, you're managing escrow accounts liquidity is paramount. It's very, very important. So, you want to be able to also tell your constituency that you and they have access to the funds on as needed basis whenever it's required with no penalties and

with no fees and with the assurance that you've got a bank of 85 billion dollars in capital standing behind it.

PATRICK DIXON: Let me add very quickly, Ms. Quillen and to the Board, that the \$250,000 of FDIC coverage that you have today on your deposits with us is augmented by an obligation that we as an institution have under the Virginia Code to provide public security instruments. That's 100% of your balances today. So, to the degree that you have non-CD balances with our institution, but they're bank balances, you have 100% coverage of those deposits. The Code in Virginia says if you're institution as more than 250 million dollars of aggregated public deposits and Wachovia/Wells Fargo has over a billion, okay, we have to daily cover your deposit 100%. You've enjoyed that. You've had that. Whatever the Code has been, we've been completely compliant during that whole time. Institutions that are less than 250 million in total deposits have a different obligation. But as far as our obligation is concerned, we have you covered a 100%.

MARY QUILLEN: Well, fortunately, we have not had to depend on that coverage.

PATRICK DIXON: Absolutely.

MARY QUILLEN: But, you know, the uncertain times that we are seeing now---.

ROB WEISS: Sure.

MARY QUILLEN: ---in our financial institutions we have to try and reassure these 15,000 people---.

ROB WEISS: Sure.

MARY QUILLEN: ---that we're taking care of their money and be able to give them some piece of mind to know that what they're depending on and some of them, you know, this is their...it's an income that their depending on to live and to, you know...in the---.

PATRICK DIXON: Absolutely.

MARY QUILLEN: ---lateral years of their life and many of them are at that stage.

ROB WEISS: Absolutely.

MARY QUILLEN: So, you know, just to be, you know, absolutely certain that we are taking care of their money in a responsible way and making sure so that we can reassure them and you're reassuring us that it's 100% covered. Thank you.

ROB WEISS: Absolutely.

SHARON PIGEON: I have a question. You guys were here...some of you anyway, a few months ago. I asked you very specifically about making some sort of structure with our escrow account that provided more than the \$250,000 FDIC insurance coverage. You were going to get back with us on

maybe an alternative. It certainly sounds like the CDAR program, which you have access to, would have been such an option, and you didn't do that. Do you have any---?

ROB WEISS: Should I direct her first and then I'll pass it to you?

PATRICK DIXON: Sure.

ROB WEISS: We're not convinced that the CDARS program is the appropriate solution for you.

SHARON PIGEON: This Board would make that decision.

ROB WEISS: Absolutely. The CDARS program is alternative that we can invest in and offer to you. Patrick, I might let you cover the rest of that.

PATRICK DIXON: Sure. We took specific direction after that meeting under Chairman Lambert's signature to reposition the investment. So, at that time, we moved out of an allowable Treasury fund and went more towards a secured bank deposit by the Code of Virginia. So, we did actually do that. I don't know if we necessarily responded directly to the Board. But we directed our response and followed instructions by Chairman Lambert.

SHARON PIGEON: You did follow his letter instructions, that is true. But it didn't address the \$250,000 FDIC insurance questions that I asked. You know,

would we have a structure that was available to provide our escrow account and that kind of coverage?

PATRICK DIXON: Okay. Well, I---.

SHARON PIGEON: I understand you all have cross collateralization and such because we talked about that. That you feel your direction was better. But I have asked those specific questions with your presentation about communication and we didn't hear back from you on that.

PATRICK DIXON: Well, I'll take personal responsibility for that because I didn't take away as a followup. I apologize to the Board for that.

SHARON PIGEON: Thank you.

MARY QUILLEN: I have one additional question on this. Eight dollars per account per month. Exactly what does this involve? Could you just explain that to me?

ROB WEISS: Sure. Why it's there?

MARY QUILLEN: Uh-huh.

ROB WEISS: I mean, essentially there is a cost associated with the lockbox component. A cost of managing the transaction when you introduce a lockbox component. That charge helps to offset both that cost as well as some of the reporting that I identified in terms of our ability to tap into systems that we have that cut and slice the data and make it available as you want to see it to both owner

and operators, to well and mine participants and for your own purposes. It helps to cover the cost associated with tapping into those internal systems as well.

MARY QUILLEN: It says number of accounts. How do you break that down? What do you mean number of accounts?

PATRICK DIXON: That's the number of VGOB number we track, which I think is 740 or something.

MARY QUILLEN: Right. So, that's what I was getting at. Is it that number of...that he just gave us, the 700. So, it would eight dollars per month times that 740 accounts or somewhere in that neighborhood as it fluxates.

PATRICK DIXON: That's correct.

BRUCE PRATHER: That's about \$65,000 a year.

ROB WEISS: Uh-huh.

MARY QUILLEN: Okay. I've got a question.

BUTCH LAMBERT: Mr. Prather. What is the form 1065 and you said when required? When is it required and how many of these do we usually participate in in a year?

ROB WEISS: Sure. I'm going to let my CPA address that. But I think it's fair...I think it's based upon a new component of your program. Jay, why don't you go ahead and address that?

JAY SMITH: When we had met with David earlier, he

had mentioned that some of constituency were electing to do a working interest in these mines and that that would create more or less a partnership with... I guess, with the operator or the owners of, you know, reporting. 1065 is the Federal form that's used to report that income not only to the Federal government but then a K-1 is attached that goes out to everyone of the people that elect that format whether you have any right now that you're doing that for, I don't have an answer for that. But it is something that if you do have them, you're required to provide that type of tax reporting.

MARY QUILLEN: So, we do...we do have a lot of working interest in these units. So, this would be a cost for each one of those forms \$500?

JAY SMITH: Yes.

MARY QUILLEN: Say we have 300 or 400 or better. How many working interest do we have? Do you know?

DAVID ASBURY: We think it's less than 25 at this time who have made working interest elections of individuals who are in the escrow account.

MARY QUILLEN: Oh, okay. Okay.

DAVID ASBURY: But we think that may grow over time. The working interest 1065 would be prepared upon disbursement just like a 1099 would be prepared.

MARY QUILLEN: Right.

DAVID ASBURY: But---

MARY QUILLEN: But there's no charge for the 1099.

JAY SMITH: No. No, that's---

MARY QUILLEN: It's just for those folks. So, if that was...it would be somewhere between 25 and whatever growth we see in those working interest, correct?

DAVID ASBURY: That's a guess. We don't know specifically.

MARY QUILLEN: Right.

DAVID ASBURY: But there has been very few individuals who have elected---

MARY QUILLEN: That are actually in the---

DAVID ASBURY: ---or made the working interest election who have been forced pooled.

BRUCE PRATHER: It won't---

MARY QUILLEN: Right.

BRUCE PRATHER: ---grow very much.

MARY QUILLEN: Okay. So, approximately 25?

DAVID ASBURY: Right. The element that we discussed was we wanted to make sure if there were individuals, current or future, that had working interest elections that we separate in the same unit that we would know funds going to working interest from funds coming in

for royalty interest so that there wouldn't...we had one situation where we tried to disburse any disbursement percentage, you have to know the working interest first.

MARY QUILLEN: Uh-huh.

DAVID ASBURY: So, that was our discussion.

BRUCE PRATHER: How would these people get the working...did they make a decision prior to going into the escrow account? Is that---?

DAVID ASBURY: After the order...after the order was prepared, during the supplemental period they had the right to make the election---

BRUCE PRATHER: Okay.

DAVID ASBURY: ---to be a carried partner.

BRUCE PRATHER: Is money taken from the escrow account to pay for their operating costs or would it just be based on the income off the revenue from the gas?

DAVID ASBURY: They would have a working interest monthly statement just as a royalty interest monthly statement.

BRUCE PRATHER: Okay.

DAVID ASBURY: A profit or loss.

MARY QUILLEN: Someone that was not in the escrow?

DAVID ASBURY: No, these would be people who were in escrow, conflicting claims, titles or something of that

nature who had made an election.

MARY QUILLEN: Oh, I see.

JAY SMITH: Ms. Quillen, can I add something to that. That's one of the reasons you need a more sophisticated type of accounting. It's not simply just saying you've got 20 million dollars in an escrow with 750 mines. Now, all of a sudden you're tracking 750 mines of which you could have 750 owners, you know, per say that do royalty...only want the royalty type of income versus maybe 750 different working interest, one for each well. So, you want to turn around and track that from the day one and the way to do that, of course, is with a type of accounting where you can turn around and use a database to be able to split the beginning balances, the additions into the account, segregated by people that have a working interest and people that don't.

MARY QUILLEN: Certainly.

JAY SMITH: And then, of course, paramount to that is kind of working with your operators to get the information you need for a K-1. If you think about the...I'm sure everybody here gets a 1099 at the end of the year that says this how much you earned. Well, people that get a K-1 get a lot more than that. They get not only the income from that mine, but they also get the dividends that

were earned, the section 179 deductions, the difference between straight line and accelerated depreciation, investment income, investment expenses---

MARY QUILLEN: Well, just like any other business.

JAY SMITH: Exactly. Exactly.

MARY QUILLEN: So, I mean, it's just individuals that are usually involved in this.

JAY SMITH: And you've got to track down many of those individuals that are in well number one.

PATRICK DIXON: I'll say this, here before we haven't been asked to prepare those. So, on going forward basis based on the discussions that we had with staff it asked for us to provide some sort of expectation of what that would cost and what the execution would be,

MARY QUILLEN: Okay. Thank you.

BRUCE PRATHER: In other words, this kind of like a K-1.

JAY SMITH: Yes, that's exactly. The 1065 is the Federal form that you attach to it the K-1s for every participant.

BRUCE PRATHER: Yeah, I get one of those things and it's always the last thumbs up.

JAY SMITH: How many hours does it take you to do your return once get that?

BRUCE PRATHER: And they just don't get it to me on time.

SHARON PIGEON: How do the proposed fee structure... how does it compare to our current fee structure?

PATRICK DIXON: Very simply the eight dollars per month continues. That's where we've been. That and then you've had a reduction in the asset management fees from 25 basis point down to 12 basis points. Notwithstanding the discussion we just had on the 1065s.

SHARON PIGEON: On new services?

PATRICK DIXON: Yes, correct.

BRUCE PRATHER: Let me ask something else, are these fees based on any time frame? In other words, do you periodically review these things and update them or this for a certain period of time?

ROB WEISS: We will guarantee these to you. It will not change over the life of the contract.

BUTCH LAMBERT: Other questions?

(No audible response.)

BUTCH LAMBERT: Mr. Weiss, Mr. Dixon, thank you to you and your staff---

ROB WEISS: Thank you for your time.

BUTCH LAMBERT: ---coming by today for the

presentation.

ROB WEISS: Thank you.

PATRICK DIXON: Thank you.

BUTCH LAMBERT: I would ask at this time if the Board has had a chance to review the minutes of the...last month's meeting. Are there any changes or additions to the minutes?

(No audible response.)

BUTCH LAMBERT: Do I have a motion to accept the minutes as written?

MARY QUILLEN: Motion to accept.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second. All in favor, signify by saying I.

(All members signify by saying I, but Butch Lambert.)

BUTCH LAMBERT: Opposed, no.

BUTCH LAMBERT: The minutes accepted. That completes our---.

DAVID ASBURY: Mr. Chairman, if you don't care, let's make sure everyone understands the process of what we're going to do with what we've just heard and how we're going to forward with that. If the Board is going to make decision, what does...what can our office provide the Board

members to help make them to consider the decision than what we've done today and are you expecting the Board to make a decision in November?

SHARON PIGEON: Well---.

BUTCH LAMBERT: I think we will have to make a decision in November and no later than December because---.

BRUCE PRATHER: When does the contract run out?

MARY QUILLEN: And he's not going to be here in November and I would like an opportunity to vote?

DONNIE RATLIFF: Can we go into executive session right now and discuss the specific numbers and do something today?

BRUCE PRATHER: I---.

SHARON PIGEON: Are you all really prepared to do that today? You just got some of this information.

DONNIE RATLIFF: I don't know that we're going to get any more information. I think we can absorb what we've heard today.

BRUCE PRATHER: I think what I would like to do would be take both proposals and put a bottom line on it and see what it is.

BUTCH LAMBERT: Well, we have...you have the RFPs. How much information is in here that's in the RFP or is there more in the RFPs than what we've been given?

DAVID ASBURY: There's some detail in the RFPs that are presented.

SHARON PIGEON: And that's how they presented it in addition to the RFP.

MARY QUILLEN: David, I don't have a copy of the final RFP, if you could send me that electronically.

DAVID ASBURY: I can send those to you.

MARY QUILLEN: I was here...I wasn't here last month.

DAVID ASBURY: Right.

BUTCH LAMBERT: So, are you asking just for the RFP or are you asking for their proposal?

SHARON PIGEON: Their response to the RFP.

BUTCH LAMBERT: Their response to the RFP.

MARY QUILLEN: Oh, their response. Well, no one has seen the response.

BUTCH LAMBERT: Right.

MARY QUILLEN: Yeah, I'd like to look at the response as well.

DAVID ASBURY: Okay.

BRUCE PRATHER: What I need to do is look at the basic charges and see what we're getting for our money and maybe...I mean, I'm not an accountant. Maybe somebody can make recommendations as to, you know---

DAVID ASBURY: Why don't my office...just as a suggestion, why don't we provide each Board member with the RFP response and the evaluation criteria and ask the Board to...let's put this on the November docket as the first item of consideration. If someone is absent, Ms. Pigeon can say yes or not, but let each Board member provide their vote even if they're absent...can't do?

SHARON PIGEON: Can't do that. You have to vote in open meeting.

DAVID ASBURY: Have to be in open session. That's correct.

MARY QUILLEN: But I think we should have a discussion, you know, as a group before---

SHARON PIGEON: If you had a specific question, you know, after you've gotten the response to the RFP, perhaps you could direct it to David...only to David. You can't send it out to the whole Board, by email, for instance. That would be ---.

MARY QUILLEN: That's the reason I was thinking that if we had a discussion and discussed this as a group face to face then we could, you know, exchange those questions or concerns or points of view and that sort of thing.

SHARON PIGEON: That's good and I don't discourage

you from doing that, but I just meant as far as information that you needed.

MARY QUILLEN: Right, right. Yeah, yeah.

SHARON PIGEON: If you just sent an email to David and said I don't see this. Do you have this information?

MARY QUILLEN: Right. Yeah.

DONNIE RATLIFF: Well, let me...the rough numbers, you're looking at \$20,000 versus \$96,000.

BRUCE PRATHER: Yeah.

DONNIE RATLIFF: You've got a group here that tells that we were fully covered the whole time and we've sat here and taken criticism that we wouldn't and didn't have the answer. I mean, is that not it in a nutshell? I might miss it at a couple of thousand dollars.

BRUCE PRATHER: I think one of the problems that Wachovia has got is that, you know, we can't use all of our services. I mean, they're over killing what our requirements are, I think. I mean, if we could take risk and do other things with these things that would be different since there's hardly any risk involved. We have to Treasuries and that's it. You know, what kind of service do we need? If we want to stay on that risk---

DAVID ASBURY: There's significant...there is significant accounting and monthly information of any escrow

and ours has 700 and some units in it. So, the ability...both are capable.

(Board members discuss among themselves.)

MARY QUILLEN: I have to pull that information. I kept saying the \$250,000 and they kept saying. Then they finally said we do have access to and that you have been covered and just what Sharon had said, that question was asked and my impression---

SHARON PIGEON: Many times.

MARY QUILLEN: ---and everybody else that was here had the impression that it was only \$250,000 when we have 24.5 million.

SHARON PIGEON: Well, let me just add---

BRUCE PRATHER: At risk.

SHARON PIGEON: ---if you go back and look at the transcript of what they responded on that, you don't have any FDIC insurance beyond the \$250,000. They went into a discussion about the requirements for them to cross collateralize and they have us collateralized with the Bank of New York if I remember correctly. I'm just working off of memory here. So, their position that they have assigned collaterals specifically to protect your account. But if the banks and organizations that we have seen fail---

MARY QUILLEN: That was my point.

SHARON PIGEON: Yes. And so this cross collateralization is a wonderful thing and it is good. It's required by statute for them to accept state funds. But it is not FDIC insurance. That's a different thing. It's a different way to go. As they said...as they volunteered today, they didn't think that was the best investment for us. However, obviously, that was your decision to make and they did not offer you that option, which as you might have noted I did not think that was appropriate. I asked that question in more than one way during that discussion because we all know about FDIC insurance. I think the people in the community who are in this fund wanted to hear that they had FDIC insurance. We weren't offered that the last time. So, that was my point.

BRUCE PRATHER: We've been criticized for it.

MARY QUILLEN: Yeah, we've been taking a beating.

SHARON PIGEON: Burned at the stake.

MARY QUILLEN: Yes.

BUTCH LAMBERT: Well, let me offer up this as a solution that, David, you will send out the RFPs and the responses to the Board members.

DAVID ASBURY: Yes, sir.

BUTCH LAMBERT: And if the Board member...if the Board members have specific questions, please address that

to David and not---.

SHARON PIGEON: Only.

BUTCH LAMBERT: ---other Board members. Be prepared to discuss this in open agenda next month. It will be our first agenda item. Be prepared to vote.

BRUCE PRATHER: David, would you be available to contact these two entities, in other words, if we had questions? The one thing that I'm left with is the 22,000 or whatever First Bank proposed is that their total fees?

DAVID ASBURY: That's what they said.

SHARON PIGEON: I think if you have questions that you want to direct to the respondents or the entities that you should have David direct those for you.

BRUCE PRATHER: Well, that's what I'm asking.

SHARON PIGEON: Yeah. You can do that.

DAVID ASBURY: The RFP details the fees.

BUTCH LAMBERT: Wouldn't the proposal have that detail in it?

DAVID ASBURY: The RFP details the fees.

BRUCE PRATHER: Oh, okay.

DAVID ASBURY: As I remember, the information at First Bank at 10 basis points is their fee and the information that Wachovia has presented is 12 basis points plus the 500 per 1065 and the eight dollars per unit is

their fee.

BRUCE PRATHER: Well, do you think that---?

SHARON PIGEON: Well, plus the one time start up fee.

DAVID ASBURY: 5,000.

SHARON PIGEON: Yes. That's it. No per account add on from the presentation.

DAVID ASBURY: It's important and they eluded to this, the Board does have some history with Wachovia and our statement from the staff is we are willing to work with either entity on the Board's wishes. The caution would be that we want to...everybody has the same (inaudible). We would like to get the maximum return at the lowest risk possible and can these...can the entities are they staffed, are they experienced in the business? It was important in my review to look at the asset base to see what the asset base was for each of the entities in what they manage as to experience. As far as our relationship with Wachovia, it has been nothing but first class since I've been at the Division of Gas and Oil. So, having said that, Diane and I are willing to work with any entity and we were hoping there would be more, but these two seemed to be the top shelf interest in doing the escrow.

SHARON PIGEON: Were these the only responses you

got to the RFP?

DAVID ASBURY: Yes. There were four and we did not tell them that. There were four. There was a pre-bid conference. During the pre-bid conference we had four entities who wanted to provide a bid to us. One of them, as I remember, was SunTrust.

BUTCH LAMBERT: It's probably not important that we have that information.

DAVID ASBURY: Right. But out of the four there were two and these were the two. We did contact a reference for each one and both references were good. So, we contacted a Robert Loudenberg for Wachovia/Wells Fargo. His responses were excellent. They had 35 accounts and 100 millions dollars. This was just one of their (inaudible) with Wachovia/Wells Fargo. The First Bank we contact Jonathan Belcher and he was very positive about First Bank. Their deposit was 4 to 10 million dollars.

BUTCH LAMBERT: That's with---

DAVID ASBURY: First Bank.

BUTCH LAMBERT: Jonathan Belcher---

DONNIE RATLIFF: CEDA.

BUTCH LAMBERT: ---with CEDA.

DAVID ASBURY: CEDA. That's correct.

BRUCE PRATHER: David, let me ask you a questions,

I forgot to ask them. Wells Fargo doesn't have any that TART money, do they?

DAVID ASBURY: I don't know the answer to that.

MARY QUILLEN: That was the question I meant to ask.

BRUCE PRATHER: I did too. As far as I'm concerned, that's going to affect...if you have any of that money in your account, it's going to affect the way you do business.

DAVID ASBURY: I can ask that.

MARY QUILLEN: But we know First Bank because they volunteered that information.

BRUCE PRATHER: Yeah.

MARY QUILLEN: Yes.

SHARON PIGEON: It leads you to believe that if Wachovia/Wells Fargo had the same situation they would have volunteered today when they heard the previous presentation.

BRUCE PRATHER: I'm sorry I didn't ask it.

MARY QUILLEN: So am I. We were just too full of questions.

DAVID ASBURY: Is it appropriate for me to go back. This is not a bid. This is a request for proposal. So, we can negotiate or ask question as I understand the process.

BUTCH LAMBERT: Yes. That's right. You can.

MARY QUILLEN: I think that's a question we really need to know in my opinion.

DAVID ASBURY: Do you have TART money? Very good.

BUTCH LAMBERT: So, that's our charge for next month. You will get those proposals to the Board members.

DAVID ASBURY: I will.

BUTCH LAMBERT: And-.

MARY QUILLEN: Now, will we have to do any of this in closed session?

BUTCH LAMBERT: No.

MARY QUILLEN: Okay. I was just wanted to remind Ms. Pigeon the little thing.

SHARON PIGEON: I don't think there's an exemption to allow you to do it in close session. We're past the point where we can.

DAVID ASBURY: If I were a Board member, this is just David speaking, I will take this information and talk with someone who is financially astute in such matters and someone maybe that you can take into your confidence and ask questions without being specific.

DONNIE RATLIFF: Mr. Chairman, if Wachovia fell on its face today, from the response they gave, their funds are protected.

SHARON PIGEON: But not FDIC insured. They're

protected because they have them collateralized.

DONNIE RATLIFF: But if they failed---

KATIE DYE: But they said it would be according to who was in line at the bank where the collateral would help.

DAVID ASBURY: That's incorrect.

KATIE DYE: No? From the first presentation?

DAVID ASBURY: Yeah. The Treasurer of Virginia in February of this year requires all state and public funds to be 100% collateralized. So, what Wachovia is saying is their trust part of the bank they have to on a daily basis insure that that trust money is 100% collateralized. That if they failed they had a 100% of that money that they could allocate to its owners. No one...there is no reach through capability if the bank falls into the trust. There's no reach through there with that. It's only when we come out of the trust and go into some type of funds that is not insured, but because of the state Treasury requires state moneys to be collateralized, we are a 100% protected.

SHARON PIGEON: If I might, I would recommend that you all pull out the part of the transcript from a couple of months ago when they presented and provide that to the Board members to refresh their memory.

DAVID ASBURY: Certainly.

SHARON PIGEON: Because I think there was a little

bit different information presented in that presentation than we heard today. We can compare and see if---

BUTCH LAMBERT: Well, if you have internet access, you'll be able to get to those minutes.

SHARON PIGEON: Not the minutes. The transcript.

BUTCH LAMBERT: The transcript.

DAVID ASBURY: We'll provide that.

BRUCE PRATHER: David, I know they came down on their basis points from 25 to 12, but are all these other fees are they consistent with what has been going on in the past?

DAVID ASBURY: Yes.

BRUCE PRATHER: Okay.

SHARON PIGEON: Probably in the past, we had a \$15,000 per quarter set fee. At one time, we did. How long has that been gone?

DIANE DAVIS: Some time ago.

DAVID ASBURY: The information that I've read that went back from the change of funds in 2000...in November of 2005.

SHARON PIGEON: I think 2005 might be the right...because that's when they were considering Wachovia selling off their trust department entirely and we had to decide whether we were going with the new company and a

whole lot of stuff went on there. But you think that's when the \$15,000 a year flat fee ended.

(Board members confer.)

DAVID ASBURY: Are we off the record?

BUTCH LAMBERT: No, we're getting ready to.

DAVID ASBURY: Okay.

BUTCH LAMBERT: Does everyone understand our charge for next month?

(Board members indicate in the affirmative.)

DAVID ASBURY: One more question, Mr. Chairman. December Board meeting, we have the December Board meeting is, of course, the third Tuesday. Is there any reason to change that?

SHARON PIGEON: It's the week before Christmas.

DAVID ASBURY: It's the week before Christmas week.

SHARON PIGEON: An entire week before?

DAVID ASBURY: Yes.

BUTCH LAMBERT: No. Unless enough have conflicts, but I wouldn't think so. Do I have a motion to adjourn?

MARY QUILLEN: Motion to adjourn.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a second. All in favor, signify by saying yes.

(All members signify by saying yes, but Butch

Lambert.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: The meeting is 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 in this the 8th day of November, 2009.

\_\_\_\_\_  
NOTARY PUBLIC

My commission expires: August 31, 2009.