

IN THE COUNTY OF RUSSELL

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

April 20, 2010

APPEARANCES:

BOARD MEMBERS:

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

CHAIRMAN:

BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD

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

DIANE DAVIS - STAFF MEMBER OF THE DGO

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BUTCH LAMBERT: Good morning, ladies and gentlemen. It's nine o'clock. It's time to begin our proceedings if you'll please take your seats. I heard someone shut their phone down, I'd like to thank you for that. I'd like to remind you that if you have cell phones or other communication devices, please turn those on vibrate or on silent. If you must take a call, I'll ask that you please exit the room and do so out in the hall. These proceedings are being recorded and any disruptions makes it hard for our reporter to transcribe the record. So, please silence your cell phones. What I also ask, that you refrain from any loud talking because these mics are sensitive and they pick up the audience noise and, again, that makes it hard for the notes to be transcribe. At this time, I'd ask the Board members to please introduce themselves, and I'll begin with Ms. Dye.

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 DMME.

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

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

MARY QUILLEN: Mary Quillen, public member.

BUTCH LAMBERT: At this time, the first item on our docket is public comments. And those that wish to speak have signed up and I'll call Jamie Hale. I'll ask you to please speak up so everyone can hear you. State your name for the record.

JAMIE HALE: My name is Jamie Hale. I'm a landowner from Buchanan County. I would like to ask the Board today on House Senate Bill 376 is going to effect landowners. I would also ask that I had heard that the Board had stated that the Board wouldn't have authority on this issue you know to decide whether when you have a co-severance deed that reads coal only I have heard that the Board said that they didn't have the authority to read my deed and make a ruling on that. But the Board has the authority to sign my gas rights away. The Board has the authority to impose transportation fees on land owners that didn't want this to start with. I just want to know what the Board...this is really...this senate bill has been signed. This is the first time in the history of this Board that the Board has a chance to do something for the landowner and I have read countless articles online of stuff

that has been brought before the Board and if you're a gas company then you're whatever the Board has petition for is approved but if you're a landowner its more than 90% of the time it is denied. I have my co-severance deed with me today and I would like you Mr. Lambert to look at it and give me your opinion. Tell me where I stand as a land owner. We've been going through this a long time and this bill is the only thing we thought in 2004 when the Supreme Court ruled that gas was its own mineral that that would be a break for us then, but it wasn't because of the DMME come out a couple days later with a statement that said that only affected those two tracts of land. And I want to know what the Board is going to do for me as a land owner. Could you answer that?

BUTCH LAMBERT: Well, we're going to address that issue just a little bit later in this hearing.

JAMIE HALE: Could you look at my severance deed?

BUTCH LAMBERT: I'll be happy to look at your deed, but I can't...this Board will not make you any recommendations today.

JAMIE HALE: Why not?

BUTCH LAMBERT: We'll address it just a little bit later in the hearing.

JAMIE HALE: Thank you.

BUTCH LAMBERT: Juanita Sneeuwaght.

JUANITA SNEEUWAGHT: Good Morning.

BUTCH LAMBERT: Please state your name for the record.

JUANITA SNEEUWAGHT: My name is Juanita Sneeuwaght. I am with the Committee of Constitutional and Environmental Justice. At this time, I would like to offer a couple of thank you to reporter Daniel Gilbert of the Bristol Herald Courier for his service to the community. Mr. Gilbert has won three awards, 1) for investigative reporting, 2) the Scripps Howard Foundation award for which he will receive a trophy and \$10,000.00, 3) Gold Medal Pulitzer Prize for his investigative research, which is recognition of outstanding service to the community. Dickenson, Buchanan, Wise, Russell, Tazewell and Rockingham counties applaud and praised him for his tenaciousness and dedication to truth. In addition, to assistance in elimination to royalty owners I'm convinced of his body of work will benefit the Division of Gas, Oil and the Division of Gas and Oil Board and its parent DMME. I further believe his work will be of assistance to the gas industry as a whole as well as the Virginia legislative body in efforts to issue some decisions for the welfare of their constituents. Will all of you help me in giving gratitude and thanks to the hero among us,

Daniel Gilbert? (Applause.) Thank you.

BUTCH LAMBERT: Thank you. Ronnie Osborne?

RONNIE OSBORNE: Could I ask the Board....I'm Ronnie Osborne. I asked the Board a month, maybe two months ago, about letting them present the contract that they was using for the split agreement. Well, Mr. Asbury gave it to me Saturday and I want to show you another forged contract. Anybody can look and tell that it's not my signature on this one too. I've got one on record that's not my contract and I've asked this Board for I don't know how many years now, the one on record is by CNX and Claude Morgan. That's not my contract. They never came to my house and paid me not one dime. They've never...where's the notary public that is on them. Where is the notary public that's on this one? I've got the two. I've got one here that I showed this Board years ago. I've got the one that David Asbury said...gave me taht I asked the Board to present. He gave it to me Saturday. You can look. Anybody with common sense can look at this and see that this is not my signature either on the four page deal. I'd like to know really what's going on. I'd like to...that's the reason I've been saying that we need the FBI and IRS in this because who's to say if these are like this, who's to say some of the coal has not been disappearing the same way. Who's to say that? I'm not

saying it is, but who's to say it's not? If I get a contract here and right here, I've got the contract right here, both of them, in black and white. And I'm taking it somewhere else too because I've done got copies of the other two and I'm taking this one. I am tired. I am sick and tired of people trying to take what belongs to me. I am sick and tired of it. This is mine and this is not my signatures and I want them off. I want them off. This needs to be stopped. It needs to be stopped. I can show you both contracts. I am sick of it. Just look at the R's. Right there's the one that you gave me and right here is the one that I've had for years. Just look at the two Rs. Right here is my signature. You, not even a professional, you will be able to see the difference. Look at that R and you look at this R right here. And I'd like to know who gave David Asbury this contract and the one he gave me Saturday. You look at that R and you look at this R and you tell me that I signed them two. Anybody can look at that and tell I didn't sign them. Anybody? Any? That's why I'm angry right now. That is exactly why I'm angry. I'm sick of this stuff. People needs to be prosecuted. If this stuff goes on who's to say it didn't go on with the coal. You see why I'm angry? Do you see them two signatures? And this is going somewhere else, too. People will show you what to

look for. I ain't saying that there's nothing except my signature is not right. I didn't sign that. I didn't sign that. I'd like to know, David, who gave you this?

DAVID ASBURY: Ronnie, when we have a disbursement presented to the Board or approved by the Board from time to time and most frequently we get a copy of the split agreements when there's conflicting claims. Your agreement was part of the planned disbursement that was brought before the Board and approved some. It's almost been two years ago. That's a copy of the split agreements on that disbursement petition that was approved by the Board.

RONNIE OSBORNE: Well, who gave you this contract?

DAVID ASBURY: And those petitions with the split agreements were those that we made disbursements for. And we were prepared to follow the disbursement order with those split agreements and your family has a number of those who are contesting, just like you are. You are contesting that those split agreements are not accurate?

RONNIE ASBURY: That's right.

DAVID ASBURY: So, the disbursement order that was approved by the Board was not made pending an outcome of your actions with the parties of the split agreements between your family and Hurt McGuire Land Trust and resolution of that agreement.

RONNIE OSBORNE: Well, where did this signature come from? Where did this contract that you gave me Saturday? Where did it come from?

DAVID ASBURY: The split agreement came as a package for part of this disbursement and it was done several years ago prior to me arriving at the Division. But I understand that it came through the Hurt McGuire Land Trust or through CNX Gas as a disbursing parties for the petition. I don't have an answer to where that petition originated from.

RONNIE OSBORNE: They are not notarized. None of them is notarized. The one on record is not notarized. The one I've got is not notarized. But these two right here is clearly, I don't know who done it. I didn't do it. I'm saying I didn't do it. I don't know who done it and I don't know what's going on. But I'm going to take it somewhere else to find out what's going on. I ain't going to say it's fraud. I ain't going to say it's forgery. But I'm saying I did not sign it yet. I ain't saying its forgery yet, which I, in my opinion it is because I didn't sign it. But I don't know. I've got to find out where it come from and everything. But I'm going to take it somewhere else and get it analyzed and see what's going on because I don't understand what's going on. If these can just keep popping

up with your signature on it what else is going on? What else is going on? I know I don't have enough college education to do it all, but I've been getting very well educated in some of this stuff since we've been coming out here. We've been learning a lot.

DAVID ASBURY: Ronnie as we talked Saturday, that split agreement does have a notary signature on it and---

RONNIE OSBORNE: Where is the seals?

DAVID ASBURY: Again, it has a notary signature and a date and those that we received for the disbursement all have that same information on them.

RONNIE OSBORNE: Well, the lawyer that we had, he looked at my contracts and he said there is no notary seals on none of this. Why? He said why is there no notary seals? I mean, that's what he asked me. But it's on record in Grundy that I sold stuff to CNX. I've not sold anything to them in this nature. I've never met Claude Morgan. I've talked to him on the phone. I've never met him. But he signed it. CNX put it on record. And I'm saying I didn't sign it. I didn't sign the sixteen pages. I've said that since what? 2004? 2005? Somewhere around there, when I noticed it and brought it before the Board. I've been arguing the sixteen page all along. And this right here, this other contract right here with another signature from

somewhere. It didn't come from me. It didn't come from me.

DAVID ASBURY: Mr. Chairman, as far as the Board is concerned and the Division, these are in suspense. We...the, as a history that I've read, this disbursement came before the Board, the Board approved the disbursement. Prior to the disbursement, there was a dispute about the split agreements and the signatures so they are held. So, they are in suspense. So, pending resolution between the family and Hurt McGuire as far as the split agreements, you know, that's not a Board issue or a Division issue. That is a dispute about the signatures and the split agreement itself between the family and Hurt McGuire Land Trust.

BUTCH LAMBERT: Yes, I understand that. Thank you, Mr. Asbury.

RONNIE OSBORNE: The ones that's investigated this said I had a civil suit, but to me it seems like it's a little deeper than civil. I mean, that's my opinion. It's a little deeper than just civil. But when I take this other one, the one I got Saturday, we'll go from there. Like I said, I'm not 100% accusing nobody of nothing except my signature getting on this paperwork somehow. And I'm going to try my best to find out how it got there. I hope that the legal system will find out how my signatures got on two contracts that I didn't sign.

BUTCH LAMBERT: Thank you, Mr. Osborne. Catherine Jewell?

DAVID ASBURY: Excuse me.

BUTCH LAMBERT: Mr. Asbury?

DAVID ASBURY: Another piece of information, this happened two or three years ago and it's my understanding and, of course, Ms. Pigeon may speak to this, but at the time a notary seal was not required if it did not go out of the state.

SHARON PIGEON: No, it's not.

BUTCH LAMBERT: That's correct.

DAVID ASBURY: So, it could be that it is valid without a seal.

BUTCH LAMBERT: True. Thank you. Please state your name for the record.

CATHERINE JEWELL: Catherine Jewell. Now, it's interesting to sort of look back and see how we got to a point today where we're wondering about whether or not to disburse money in escrow. I think, you know, I have to wonder how is it that a state agency such as DGO, DMME could have directed the DGO Board to ignore the 2004 Supreme Court Decision in the Harrison Wyatt v. Ratliff case. How is it that a gas and coal industry can exert such a powerful influence over our legislators, administrators, boards and

often judges? With respect to the Gas and Oil Act of 1990, maybe we should step back and look at how it came into being. The Virginia Oil and Gas Act of 1982 and its corresponding regulations restricted the rule of capture and protected correlative rights of gas owners. The Migratory Gas Act provided that the surface owners absent any provision of law to contrary is conclusively presumed to be the owner of all Migratory Gases under the surface. In 1990, the Virginia General Assembly refilled both the 1982 Act and the Migratory Gas Act and passed the Virginia Gas and Oil Act of 1990. The alleged need was to for a new act was to develop a method to deal with the natural gas the industry called coalbed methane. The selling point for this new Act was the capturing this methane versus venting it would reduce greenhouse gases, increase mine safety and allow for the use waste of resources. Later that classification as coalbed methane would also allow the industry to obtain carbon credits for production of this gas. Another incentive, was to allow the industry to cash in on some of the substantial federal tax credits that were available for something called non-conventional gas. Regular gas was conventional gas but if we called something coalbed methane it would be a non-conventional gas. Now, I'm not going to go through how all this happened because

it, to me, is fascinating, but I will skip and say that, you know, the 1990 Act really came about as an effort for classification in new gas called coalbed methane that we all know is natural gas. We don't call natural gas in shale methane and we don't call natural gas in mined out spaces void methane. The beauty of this scam is that the coalbed methane was defined as a methane in the coal seams and surrounding strata. This was expanded to include the methane in the voids that remain after the coal was mined out. That is (inaudible)? Gas. When something is renamed after a period of time people tend to accept that name and forget how that name came about. After the 2004 Supreme Court decision in the Harrison Wyatt v. Ratliff case, DGO, DMME issued a statement essentially saying that the case would apply only to the coal properties that were adjudicated. At that time of the decision, there was 8.6 million in escrow. Today, there is 26 million. The effect of not honoring that decision was to coerce people with money in escrow to sign split agreements in order to receive any payment for the gas that was legally determined to be theirs to begin with. And it was also to prevent the money from going into escrow. So, it was to convince people that were not into...did not have money into escrow to go ahead and sign this and that money would not go into escrow. This

is the only way they could get paid. You sign that split agreement or you go before the Court and spend a lot of money. You know, and the split agreements were interesting because they were always conveniently presented along with the lease agreement for the gas owner to sign provided of course if they wanted to get paid for the gas that was being drained from their property. Thanks to the gas lobbyist the presumption bill that was introduced and that which was signed into law are two different animals. Additionally, now, we have an arbitration as a third hoop for the gas owners to jump through in an attempt to obtain what's legally theirs. One of the amazing things about all of this is that the gas operator determines the ownership in the unit and if a conflict exists. Operators are not required to provide any deeds or leases or support information with their permits or pooling applications. Now, what I find so fascinating is the 1990 Act was designed to escrow all conflicting claims. It never defined ownership. It never determined what a conflicting claim was. Was it the surface? Was it the coal? Was it the gas? Was it the other minerals? What would constitute the conflicting claim? Nor did it ever give the authority to the gas operator to do this. However, if a severance deed states coal and other minerals the operator interprets this to include oil and

gas. If a deed states coal, metal, oil and other minerals, its interpreted to include gas. The 1990 Act defines minerals as the same as such in 4.51, mines (inaudible) and ore, rocks and other solid homogenous crystalline chemical elements or compounds that result from inorganic process of nature other than coal. Minerals defined under the coal mine safety Act is clay, stone, gravel, metals and non-metal ores and any other solid material substance of commercial excavated in solid form from natural deposits on or in the earth exclusive of coal and those minerals with naturally per and exclusive of coal and those minerals which naturally occur in liquid and gaseous forms. There is no other definition in the Code of Virginia, which expands the meaning of minerals to include oil and gas. There is no evidence that the intent of the grantor or grantee in severance deeds signed over 100 years ago intended to include oil and gas under minerals. The operators have relied on a corp decision, the Warren v. Clinchfield case in which oil and gas were defined as minerals unless the term was used in a more restrictive sense in the deed to justify including coalbed methane under minerals. So, it's interesting that the operators, the DGO, DMME and the Board feel that they can pick and choose which judicial decisions they will recognize and which they choose to ignore. That's

it.

BUTCH LAMBERT: Anne Campbell.

ANNE CAMPBELL: My name is Anne J. Campbell and I represent the H. F. Kaiser property on Sandy Ridge. And I have been getting leases. I have signed two leases. I signed the first one in 1952 and I have a check where they paid me \$55.00. And I signed the second one in 1992...let's see 1995, I guess...1997 I mean...five years. And they paid me another \$55.00. And that's all I've ever received and I am an heir to this H. F. property Kaiser. And all I...I have my father's deed and he never did lease any oil and gas. All he leased was the coal on and under the ground and they are mining up there putting oil wells. I've got pictures. I went up and took my camera. I've got pictures. They are mining. And they write me one of these about every three months registered telling me what they are doing and they stated in this last letter that they didn't know who the owners were to pay the escrow to. It's in an escrow account. But I did send them the genealogy of my whole family. They have it. And they know who the heirs are. But the...could you tell me what the suspense account is? That's where the escrow money is being put.

BUTCH LAMBERT: Mr. Asbury.

ANNE CAMPBELL: Suspense means uncertainty. What

does that mean?

DAVID ASBURY: A suspense account typically defines...and it could be different by gas operators, but as for the parties...both parties are leased and the money is in suspense awaiting a resolution of a conflict between title or coal.

ANNE CAMPBELL: Waiting for what?

DAVID ASBURY: Resolution, either an agreement or court decision for a conflict between...typically between a coal and gas owner. But in all the cases that I'm familiar with, if it's in suspense all those parties have a valid lease in place for that either coal or gas or both.

ANNE CAMPBELL: Well, how do we learn where the escrow money is being put?

DAVID ASBURY: If all parties are leased, the money is being---

ANNE CAMPBELL: At first, they told me it was being held in a bank in Tazewell and they moved it. I never knew where they moved it.

DAVID ASBURY: Do you know what gas company you are---

ANNE CAMPBELL: Sir?

DAVID ASBURY: What gas company are you working with? Do you know what gas company?

ANNE CAMPBELL: Well, it's the...whoever is mining the gas on Sandy Ridge.

DAVID ASBURY: Okay, typically it...there's are a couple or more on Sandy Ridge right now. It could be EQT or it could be Range Resources or others either. But we'll be glad, if you'll contact my office, to look into your situation.

ANNE CAMPBELL: I don't hear well. Do you mind to speak up?

DAVID ASBURY: We'll be glad to work with you if you would like to come to our office and we'll see what the situation is and further define and find where your money is, whether it's being held in a suspense account and held for conflict with leases or if its in escrow. We'll be glad to---

ANNE CAMPBELL: I have a letter that says it is in a suspense account.

DAVID ASBURY: Okay. So, that could mean that it's not in escrow and it's in suspense pending an agreement between two lease holders.

ANNE CAMPBELL: Well, since 1952, don't you think we should have returned...had some kind of a return. How long do they carry that on? They have a record of all the heirs. I have them myself.

DAVID ASBURY: Again, we'll be glad to work with you to determine what the circumstances are with your lease agreement or with your suspense account and see what your next steps are. We'll be glad to do that. I'm not familiar with your specific case but we'll be more than glad to work with you to determine that for the Board.

BUTCH LAMBERT: Ms. Campbell, who is your suspense letter from and what's the date on it?

ANNE CAMPBELL: This letter I got?

BUTCH LAMBERT: Yes, ma'am.

ANNE CAMPBELL: June 25, 2002.

BUTCH LAMBERT: And who is it from?

ANNE CAMPBELL: Melanie D. Freeman, Land of Administration Division Orders.

BUTCH LAMBERT: It doesn't have a company on it?

ANNE CAMPBELL: That's who signed it.

BUTCH LAMBERT: EQT, okay.

ANNE CAMPBELL: No, it's just to the coal owners. Melody D. Freeman signed it.

BUTCH LAMBERT: I think that's EQT. So, if you'll contact David Asbury at the DGO, he'll be more than happy to work with you.

ANNE CAMPBELL: I didn't hear you.

BUTCH LAMBERT: If you'll contact David Asbury, our

Director at the Division of Gas and Oil, he will be happy to work with you on this situation.

ANNE CAMPBELL: She can help me?

BUTCH LAMBERT: David Asbury.

SHARON PIGEON: This gentleman right here. He said you had spoken with Bob Wilson in the past. He has that job now, so he can help you in the same way as Mr. Wilson did in the past.

ANNE CAMPBELL: Well, when do I see him?

BUTCH LAMBERT: You can set up an appointment with him any time you'd like.

SHARON PIGEON: His office is on the other side of this complex right down this way.

ANNE CAMPBELL: Oh. On the other side? Well---.

SHARON PIGEON: There's his card so you'll have---.

DAVID ASBURY: I'll be glad. And we're just on the other end of the building.

ANNE CAMPBELL: Way up yonder?

DAVID ASBURY: Well, you walk down the hall, it's next to the Board of Super---.

ANNE CAMPBELL: What's the name of the office?

DAVID ASBURY: DMME's office.

ANNE CAMPBELL: Okay.

DAVID ASBURY: This is where we can be found.

We'll be glad to work with you on that.

ANNE CAMPBELL: Okay.

DAVID ASBURY: All right.

ANNE CAMPBELL: May I speak with this little girl right up here?

DAVID ASBURY: Sure.

BUTCH LAMBERT: Thank you, Ms. Campbell. Norma Curtis Mabe? Please state your name for the record.

NORMA MABE: My name is Norma Curtis Mabe.

BUTCH LAMBERT: Just a minute please. Diane? Diane, could you go out? Sorry, Ms. Mabe, you may continue.

NORMA MABE: I'm a land owner at district of Garden Creek and I just have a simple question. We signed a lease to LM, you know, CNX about 20 years ago and we were getting, you know, a good royalty check and since they were in Michigan. Since then we...CNX has gone to Texas, you know, the bookkeeping, and we haven't had any royalty checks. They are very small. And I don't have the letter with me, but we received a letter from...they was putting a pipeline in through Jewell Ridge and said that the royalty should be more and it has been less. And we was getting good checks, like I said, probably about six years ago, but they've gone down to nothing. I was just curious, you know. That's all I wanted to ask today.

BUTCH LAMBERT: Ms. Mabe, can I ask you to also please contact Mr. Asbury at our Gas and Oil Division director and he will be happy to work with you.

NORMA MABE: Thank you.

BUTCH LAMBERT: Sahara Rice? Please state your name for the record.

SAHARA RICE: Sure. My name is Sahara Rice. I'm a landowner of a farm in Bristol, Virginia in the county. And I just received documents, certified documents that they would like to drill near my farm. I have questions and I have concerns is if there is just going to be one drilling or is it's going to be several drillings. I'm not really familiar with what's being taken place. I'm a medically retired veteran. I'm a war veteran. The eyes that you look at are implants in my eyes and from what I'm hearing here today it sounds like we're working with a bunch of crooks. Okay, I hear a lot of fraud and deceit at this table. I don't know that you would be drilling on my property or not unless I dug a very deep (inaudible) to make sure you're not doing that. But my questions are is I'm wondering as a veteran and a veteran with implants in my eyes due to bagging bodies, I wonder how many of you that we lay ourselves on the line for and take these injuries for you to sit there and say we're going to help you, but you're going

to drive a knife in my back while I'm not looking. I mean, I don't understand what you're doing here. I came in thinking somebody was going to talk to us and be reasonable about what they're talking about and be honest about it. And I'm not really seeing that. I don't really know what's going on other than the fact somebody is thinking about thinking about padding their pocket and it's not for me. When I put in my claim for my eyes I had to prove that I got this injury during the war. Unbelievably, I was taken to King Hospital. The injury happened there. And I'm not looking for sympathy, but what I'm saying is why is myself and my friends that I watched get blown up during the war putting yourself on the line for people like you to sit and gouge us like you're doing. Can you not honestly say that you're going to do something for us? Is money that powerful to you that you've got to live that high up on the hill that you're going to do people like this? Because I think that if you're doing them like that you're going to do me like that. Like I said, I just retired. I've only had my farm three years. I come back from the war, I thought I'd just go get my farm and enjoy my life and now I've got a drilling company wanting to come in and drill I don't know how many feet below ground and see how much they can strip off my land to pad their pocket. Honestly, I see people saying

that they're going to help us. I think they're wolves in sheep clothing from the sound of it. I'd like someone here to give me an answer. I haven't heard an answer yet since I've been sitting here. And I don't have a problem sitting here saying this. I thought it might be vital that I add in that I'm a medically retired veteran. That my injuries incurred during the war because it has to do with your rights. You don't have rights. You know why you don't have rights, because people don't go up there and fight for it. I'm still fighting. I thought the war was over with but it looks like we got to start over again. I'd like an answer. I don't want to leave the table until I get an answer about what you guys are doing here. I'm hearing people say they got fraud going on, signatures that shouldn't even exist. Am I going to get done that way?

BUTCH LAMBERT: I don't know what your question is, Ms. Rice.

SAHARA RICE: Okay. You send me these documents saying that you want to drill on the property. I'd like to know your intent.

BUTCH LAMBERT: Well, let me first say that this Board is not the one that's drilling on your property. It's the---

SAHARA RICE: Are you there for me or against me?

BUTCH LAMBERT: It's the gas company that will be drilling on your property. The gas company comes before this Board to request a permit or an order to be named the operator of that well.

SAHARA RICE: But from what I've heard you have not...you have...it's kind of like a service officer, when you put a claim in if you're working for the system you're not working for the veteran. You can't have somebody working for the VA and say I'm going to do the veteran a claim and get you money to take away from the people I work for.

BUTCH LAMBERT: Ms. Rice, we will be hearing that case of the company that wants to drill on your property. I assume it's on your property, I'm not sure. We haven't even looked at it yet. But we will be hearing that later in the day and if you would like to stay and provide testimony during that hearing you are welcome to do so.

SAHARA RICE: I could do that but, again, like I said, I don't have any answers. Are you for or against us? I would like to know what is your position at this table in front of me?

BUTCH LAMBERT: The position of this Board is to uphold the laws and regulations that we have before us.

SAHARA RICE: But you haven't yet, according to the

statements that I've already heard.

BUTCH LAMBERT: I can't---

SAHARA RICE: I'd like to know why.

BUTCH LAMBERT: I cannot comment on the statements that you have heard.

SAHARA RICE: Okay. But you are aware that you have not done that so far.

BUTCH LAMBERT: Have not done what?

SAHARA RICE: Upheld the laws that has been put before us. I mean, you have not been there to represent us. Are you for us or against us?

BUTCH LAMBERT: I'm...this Board won't comment on that. We are here to uphold the law.

SAHARA RICE: So, you don't want to take accountability for your actions, is that what I'm hearing? You are just here to kind of pass the day and let everybody blow a little heat and then everybody goes home and everybody smiles and shakes hands and goes to a steak dinner.

BUTCH LAMBERT: That's not the position of this Board.

SAHARA RICE: Well, what are you trying to accomplish here then if you're not going to give me an answer? What was the purpose of me driving and getting

somebody to go calve my cows right not that's calving to sit here and talk to you about someone talking about wanting to drill my property? What was the purpose of me...what's the purpose of you sitting there and me sitting here?

BUTCH LAMBERT: This Board is not going to get into any discussions with you Ms. Rice concerning that. That's not the---

SAHARA RICE: So, you're basically saying that we just want you to come here and vent a little bit and go home and then eat dinner?

BUTCH LAMBERT: No, ma'am. You're welcome---

SAHARA RICE: What are we going to accomplish here today is the question?

BUTCH LAMBERT: You are welcomed to stay and hear the case about the well that's proposed to drill on your property and you're welcomed to comment on that application.

SAHARA RICE: Okay, well, I think it's pretty sad, like I said, and I do carry these cards for the rest of my life and I've put myself on the line along with my buddies to watch people sit here and blatantly lie to our faces about what you're going to do to us and unbelievably I watch people being walked away and you know talked to and I'm going to help you. Well that kind of reminds me of the service officer working for the system. If you're working

for the system you're not working for the veteran. And what's funny is even at working with the government, okay seriously, I did my own claim. It took me two years to prove and to fight to get my 100% permanent and total disability for my implants in my eyes not to mention there's (inaudible) that I have in me. So, if the government is going to do that and knowing what you guys are positioned on this oil and minerals and anything else that's involved, I'm absolutely sure that you're probably going to make us fight tooth and nail to keep what we have. I certainly hope that you don't plan on going to the Board thinking that none of us are worth your time of day, that money is more important. I really don't have any answers from you. I don't know why.

BUTCH LAMBERT: Well, thank you for your comments. You are welcomed to stay and participate in the hearing later this afternoon on the well---

SAHARA RICE: I'll just do that.

BUTCH LAMBERT: ---that proposes to drill on your property. Thank you. Jerry Grantham? Please state your name for the record.

JERRY GRANTHAM: Jerry Grantham. I'm the President of the Virginia Oil and Gas Association and also Vice President of Range Resources-Pine Mountain. I wanted to

comment briefly on the recent bills that were passed into law, I believe last week, by government...Governor McDonald. These bills were, of course, related to the issues that we've heard today with the escrow account and the conflicting claims. The first bill was coalbed...addressed the issue of coalbed methane ownership. It was sponsored by Senator Puckett and Delegate Phillips and helped to clarify the issue of coalbed methane ownership here in Virginia. It has been an issue that we have addressed and that we have had for 20 years really since the beginning of coalbed methane development. The Oil and Gas Act...actually, I know a lot of people won't agree with this but it actually worked in what it did because it allowed for the development of coalbed methane where there was a conflicting claim early on in the process and allowed that development to move forward and let the judicial system and ultimately the legislature rule on who the owner of that resource was. And so what it did was 20 years in the late 90's, or excuse me, the late 80's it allowed that development to move forward, did a lot of things for the economy in Southwest Virginia. As part of that bill, the auditor of public accounts is going to do an operational and performance review of the accounting policies and the procedures as they relate to the escrow accounts. Another bill sponsored by delegate Kilgore, as

you well know, puts in place a process by which when there are conflicting claims they can come forward to an arbitration process and have a ruling on that and that should move that process forward much more quickly than we've seen in the past. And then there's finally a house resolution 121 sponsored by Morgan Griffin. And that bill is requests the coal and energy commission to do a study of the gas industry here in Southwest Virginia, really all aspects of it. We think that will be very positive too. Of course, there's an audit going on of the escrow accounts. That's very important, you know. And the gas industry and VOGA were supportive of all of these bills in Richmond. We think this issue is a very important issue. We believe as producers that we know that we're required by law to escrow these amounts when there is a dispute and we have done that, but until there is a clarification of the ownership of this resource we're obligated to put that money in escrow. And if we release it to the wrong person owner A over here, owner B will potentially come to us with a lawsuit and claim that we released it to the wrong person. So, we have done really what the law has required us to do. One thing I just wanted to comment on, and I know the Board is aware of this, force pooling represents a very small amount of the royalty that's being paid in Virginia. I know I talked to a lot of

the sort of late people friends of mine about the recent articles and one of the misunderstandings that they...that several of them had was that all of the royalties are being escrowed and, of course, that's not the case. It's at least by our estimate about 5% of the royalty is being escrowed. That represents \$25 million, which means about a half a billion dollars, it's probably significantly more than that, is actually paid out every month. Not half a billion in one month but certainly over the course of the time that we're producing coalbed methane in Virginia. That's a huge amount of money royalty that's going back to the local economy and spring activity. One thing that concerns me is we're seeing a significant drop in drilling in Virginia. You're probably aware of that. Two years ago, I think we drilled about 700 wells. By my estimates for this year, we'll probably be at about 400. That's almost a 50 percent drop. And with that drop in wells, we see a decrease in employment. A lot of the drilling companies we're seeing move out and with that we see reduced severance and reduced royalty payments, of course, with the lower gas price. Those are things that concern me and I think concern some of the local officials as (inaudible) rights to the economies of Southwest Virginia. One final thing is, I think that these bills are really a move in the right direction. I think they give us

some clarity and certainly the owners of the resources some clarity as to the coalbed methane and ownership of that issue. I think the industry has made a lot of strides in other areas working with land owners and I think a prime example of that was this article that was in the Dickenson Star of last week. I don't know if you have had an opportunity to see it, but property owner praises natural gas companies. And I've got copies of this that I'd be happy to hand out to the Board if you haven't already seen it. Thank you very much.

BUTCH LAMBERT: Thank you for your comment. At this point public comment period is closed. The next item on the docket is item number two. The Board will receive an update from the DMME director Steve Walz. Glad to have you Mr. Walz.

STEVE WALZ: Excuse me. Thank you Mr. Chairman. I'm Steve Walz, Director of DMME. I work out of our Richmond office, but do cover things down here in our Lebanon office, Big Stone Gap, Charlottesville and elsewhere. I wanted to come before the Board today to cover some of the actions that took place this year in the General Assembly. The Bills that you have heard a couple of people talk about this morning as well as and talk about what we think this may mean for the Board and then talk about some

of the regulatory actions that the Board has been taking and then will need to be taking under the Bills. These three Bills that have been mentioned, the two Bills that address who owns coalbed methane gas in cases of a coal only lease and then the Bill that was setting up the arbitration has been signed by Law...into law by Governor McDonald. He signed the two bills...the companion bills addressing ownership on April 13th. Those bills had an emergency clause on them, which means that they became effective the day that he signed those bills into law. The third Bill, setting up the arbitration process, will become effective on July 1st in due course. To give a little background on that, there were a lot of parties involved in the legislation as it was going through the process. The legislative patrons, Senator Puckett, Delegate Phillips and Delegate Kilgore were actively involved as well as other legislators from Southwestern Virginia and elsewhere. (Inaudible) resolution 121 that was just spoken to, I think by Delegate Griffith up in the Salem area, so it was not just the legislators down there. Mr. Peter Glubiack, the attorney representing some surface owner interests was actively involved. Attorneys from the Richmond firm of Christian and Barton, who I think Buchanan County had hired to represent interests that were involved. The VOGA, as well as some of their individual

companies who are operating coalbed methane wells in Virginia, were involved. The VCA and individual companies from the coal association were involved. The office of the Attorney General, primarily out of their Richmond office, was involved. I think that Ms. Pigeon, as counsel to the Board, was not actively involved because of the fact that she serves as counsel for the Board and it was the other folks up in Richmond who were involved. DMME was involved in those and then the State Treasurer and the Department of Treasury was involved in (inaudible). So, there was a lot of different points of view that were brought to the table when this legislation was being put together. And as any legislation, I don't know that any one party said that they got everything that they would like to have seen out of the legislation. It was a process, that there were a lot of different versions of language that were looked at and talked about during the process to lead to the final Bills that were signed by Governor McDonald. The two Bills, companion bills, Senate Bill 376 and House Bill 1179 that are addressing the ownership, as we understand them these bills state than any convenience...conveyance, reservation or exception of coal shall be deemed to not include coalbed methane gas. And we've heard about the Supreme Court case, that these bills will work in conjunction with the Supreme

Court case. The Bills do not suggest that the Board take on a role in determining ownership where there are conflicting claims. These Bills I think were trying to set in law the grounds upon which ownership can be determined when there is a coal only lease absent any other lease such as for other minerals or gas or oil on a particular piece of property. And so, they did not directly change the authority and the powers and the duties of the gas and oil Board. We're just addressing the ownership issues. As was noted, the Bill also directs the auditor of public accounts to conduct an operational performance review of the accounting policies and procedures for the Board escrow account and if they come across any errors that they feel may need to be corrected they are to notify you of those errors. DMME will...is looking forward to working with the auditor of public accounts to help them with their process as they go through that. And as a department, if they come up with anything that needs to be improved in our procedures and handling of these we will put those in place. The third bill that was out there is House Bill 1334, introduced by Delegate Kilgore. And as I think was set, establishes a third method for addressing conflicting claims to coalbed methane ownership where they can resolve their dispute and then bring that resolve...their resolution of that back before

the Board. Historically, the two ways that people have talked about today that you could resolve these conflicting claims is to go to court and have a court account a jurisdiction issue, a decision on ownership or do a voluntary agreement, which is typically referred to as a split agreement, but doesn't necessarily have to take that forum as I think you all understand. This Bill provides that all parties on a tract of land can decide to use arbitration to determine the ownership of the coalbed methane. It provides for DMME to establish a pool of qualified arbitrators who wish to take on the arbitration actions and to meet the minimum of requirements that are set out into law that also then sets out the whole process that the arbitration would need to follow. The direct cost of the arbitration, the cost of the arbitrator, the cost of any publishing are to be paid out of interests earned on the escrow account. This is taken off the top after the escrow account managers fees, the banks fees are deducted. The arbitrations will be paid on a first come first serve basis under the legislation. And as somebody brings this forth to the Board we at the Department have to let you know whether there are available funds to pay for the arbitration or not. If there are not available funds, I think the parties to the arbitration can wait until sufficient funds become available

from interests on the account or they can decide to pay the costs and go through the arbitration themselves. There's nothing that keeps that from happening. But if they wish to have the payment from the interest earned on the escrow accounts they will have to wait. And we'll just keep a waiting list and take them on a first come first serve basis. Lastly, the Bill does require you the gas and oil Board to promulgate regulations to implement the act and it mandates that these be adopted as emergency regulations. The language in the bill says that you have to adopt those regulations within I think its 280 days, which is the legislative language saying that you have the authority to adopt these through the emergency regulation process that is set out in the administrative process at. After those emergency rates are in place, you will then have to go through in the more official form of full regulatory process, adopt final regulations that would be replacing the emergency regulations. The emergency regulations will be in effect for one year after the date that they are adopted although the Governor can approve a six month extension on the effective time period of the emergency regulations. If the Board would like, we will volunteer to pull together a draft language for the regulation. I know that the Board members themselves are not in the business of writing

regulations and so as staff to the Board if you decide this is how you want to handle it we will pull together draft proposed language to bring back to you. We think that the regulations will probably need to flush out the mechanics of the arbitration process a little bit more. I think that they probably cover such topics as any conflict of interest that the arbitrator might have. Again, that's laid out in the law so we would have to keep consistent with that. If there's any type of postponement or rescheduling of the arbitration there is a process in the law that that can happen but we'll need to spell out I think in the regulations how that will be taken to...how that will be made to happen. If there is a need to extend the time provided for the determination if there is additional evidence that comes forward or other information that needs to be extended then we'll need to look at that. We'll need to address will there be discovery and how that will happen in the informal...in the arbitration process. We probably ought to address on how to handle ex parte communications or any type of communication that is outside of the formal process of the arbitration. The...we...again, the regulations can address the contents of the written determination that will come back to the Board and what you'll be looking for in those determinations and then any

other topics that the Board feels appropriate to put in those regulations. And so, I'd like to first present these topics to you and I know this is just going to be a case of first impression in front of the Board right now, but I know each of you have probably seen the legislation and thinking about it to see if there are any other topics that you feel like the Board...that the staff ought to be looking at as we're drafting it and then also see if it is the will of the Board for the staff to go ahead and draft the language to bring back to you. So, I guess my first question to you is would you like the department staff to go ahead and draft some language that would serve as the emergency regulations required by this Bill?

BUTCH LAMBERT: I think the Board would welcome that and if we could get...ask the staff of the Board to draft those regulations and have them back to the Board for our review. Any comments on it? Any comments from the Board?

MARY QUILLEN: Mr. Chairman, I have just one question for Mr. Walz. When you mention the arbitrators, if they met the guidelines that were set out in the legislature, will these arbitrators be attorneys, will they be required to be attorneys and will they be required to have knowledge of minerals along---?

STEVE WALZ: Yes. There are minimum requirements that are set forth in the Act that was passed. They do have to be attorneys and what we will...have been asked to do under the law is establish a panel of potential arbitrators and then the Circuit Court when a person who wants the arbitration or when the group of landowners want the arbitration to take place they will go to the Circuit Court and request that the arbitration take place. The Circuit Court can look to our list of our panel of arbitrators and pick one off of that panel and assign them to do that arbitration. Although the Circuit Court Judge under the Act can pick somebody else. But they do need to be attorneys, they will have to certify that they have not derived more than 10% of their income during the preceding three years from any of the claimants asserting ownership in the tract so that there is not a conflict of interest there. And so...what the arbitrator also has to be an attorney licensed in the Commonwealth, they have to have at least 10 years experience in real estate law including substantial expertise in mineral title examination. And again, they have to disclose to the Board and to the Court and to their department whether they've been engaged in the previous three years in any manner of work subject to the jurisdiction of the Board or the Department. So, again

there's transparency over what work they have done. And so when an arbitrator is selected by the Judge if they are selected off this list everybody will know the clients that they have had relating to matters of jurisdiction of the Board and the Department. So, we will be doing advertisements to request statements of interest from the attorneys and laying out their qualifications and then we will be creating this panel list based upon the input that we got from attorneys. I think we are also required to annually update the list of attorneys so that they can annually update any disclosures that they need to make of their experience of the practice that they've had. And so, yes, I think the short answer it may just be that they have to be attorneys at this point.

MARY QUILLEN: Who will have final approval of this...these attorneys?

STEVE WALZ: The Circuit Court Judge will select the individual attorneys to take and do each arbitration. So, they will have final approval.

MARY QUILLEN: Thank you.

BUTCH LAMBERT: Any other questions?

STEVE WALZ: Are there any other topic....here it is again, I know that this is just a first impression today, but are there other topic areas that you think we may want

to be looking at in trying to draft the draft regulation?
Of course, you'll have input on that as we go along later.

BRUCE PRATHER: Mr. Chairman, I've got a question.
It has been my opinion that the Board can't look at a lease.
In other words, we have had people in front of the Board
with their leases and we've been told that we can't look at
a lease. How are we going to do our job without either Ms.
Pigeon or somebody telling us what's in these leases if we
can't look at them?

STEVE WALZ: The law does not put you in a position
to be determining ownership of the natural gas or oil
interests or the coalbed methane interests. It sets up the
three now processes where there is a set of conflicting
claims for the ownership to be determined. I think that the
without there being a voluntary agreement among the parties
individual property rights are so important that as I
understand what the General Assembly has done is say that
they are so important that they really should go to Court
where every party has a full level of protection of their
interest and there's all of the due processing and the rules
of evidence and all that are fully set forth in the Courts.
And so, the Board, when it gets a petition in front of it to
force pool an area the operator comes forth and says we've
done our research and who on the title for the areas to be

force pooled and we find that there are people who could have a claim to ownership of the natural gas and that ownership is not clear and so we're asking you, the Board, they are then asking you, the Board, to take the proceeds the royalty proceeds out of the from the production and hold it in escrow until that ownership is determined. And so, you're not being asked to look at the deeds and determine ownership. You are just being asked to say that there are grounds...that there are claims...that there are multiple people who are claiming ownership of the gas and therefore we can't decide which one party is the true owner and so you are then under the law being asked to set aside those proceeds and put them in escrow. Now, one thing that could be done is at least to establish a record to help in our arbitration process along is that there could be a change to suggest that as a party comes forth and says that there are conflicting claims that they would need to file with the department a copy of the documents upon which those potential conflicting claims are based. But, again, it's not placing them in front of the board because you don't have the authority and you're not being asked to determine that ownership.

BUTCH LAMBERT: Mr. Prather, and Board members, I need to update you. Just because of the presumption Bill

was signed by the Governor and what position this Board should take, me as Chairman of the Board, has requested an official opinion from the Attorney General as to whether or not we can make those calls on deeds that are presented to us. And I've asked for an expedited opinion and I'm not sure how long that will be.

BRUCE PRATHER: I mean, the thing that has always has come to my mind is that the complaints are based on the lease and we never see that. So, how are we going to work on these complaints that come before this Board if we can't look at the lease.

STEVE WALZ: I think that a lot of the complaints are one party is saying that I own it and then you've got other parties that say that I own it. And that, again, is getting down to the property rights. And I think that in talking with and listening to what the General Assembly has said and I can't speak for them, they will have to speak for themselves, I'm not elected...I'm not a member. But I think they have been concerned that property rights are so important that they don't think that they don't want to place the burden on you just a citizen appointed Board to be able to decide that this one party owns it and this one party doesn't own it. What they have done is they have given a procedure to be able to still have that gas produced

and hold the proceeds in escrow until that ownership is determined. It's a lot of the complaints that are coming forward as I hear them are well I think I'm the owner of it and then other parties will say no. And then again, it's getting to the basic property rights dispute now. And I know that there has been a lot of concern that well to go to Court is very expensive and if I'm just a surface owner in a particular area then I don't have the money to hire the lawyers and to go to court and all of that. But I think that was the emphasis behind Delegate Kilgore's Bill to provide a process that a group of owners can come forward and do it in a way that won't cost them the types of monies that may cost them to go to court. And that's why they were looking for...they decided on a process to pay for the basis costs of the arbitration through the interest off of the escrow account to give an easier way for the process of ownership to be determined. You also, I did hear that there is a study to come up before the Coal and Energy Commission this year of oil and gas issues. So, I think the whole issue of property ownership is something that we ought to bring before the legislative body, the Coal and Energy Commission, and say that from the Board you have heard a lot of complaints and concerns and people coming forward to you saying that they don't feel their ownership interests are

being properly protected and bring, you know, properly put them in front of the legislature and see if there are any changes needed in the law addressing that. But the law today does not have you the Board do that. So, while I know it's difficult for everybody when these types of concerns get brought forward that people are looking for answers and they are not easy answers to those questions but there's a process that the legislature has set up for getting those answers. Now there's these three separate paths that people can choose to take on a voluntary basis and it's not before the Board. And I know they come asking you, the Board, to address those issues and you can't and I know that can put you in a difficult situation. But that's what the law of Virginia is, that those are the three processes that are set forth. That also goes back to the statements that have been attributed to DMME about...that we've directed the Board to do things regarding ownership after the Supreme Court decision or not. I think that those came out of a statement that the department made at the time is that Supreme Court case was addressing those specific lease terms, that they were in front of them. The Supreme Court case specifically...of the decision specifically said they were not addressing certain issues that were underlying...in the underlying case and that that sets precedent for other

Courts...it sets precedent that if people are looking to do a voluntary agreement that they can bring to the table in any types of negotiations and it set precedent that the arbitration process will be able to look at to determine ownership. And then we have the other two bills that will also be, you know, now the law in Virginia that these...that any kind of conflicting claims that are brought forward in those three paths that are available to deal with those claims we will be able now to look at that law and have both some case law and some statutory law that can help them in their decision regarding ownership. But, again, that's not directing the Board to make those decisions. I hope that answers your question.

BRUCE PRATHER: Thank you.

BUTCH LAMBERT: Any other questions from the Board or comments?

STEVE WALZ: Well, we will go ahead then and work on some draft language. We are assigning Mike Skippington, who has started with the DMME this past January. He is sitting down there at the end. I told him I wouldn't make him speak but I told him I was going to point him out to you. We will be assigning him to work with the...and he is the policy manager at DMME, or program support manager. We will be assigning him to work with David and staff at the

DGO and others in the department to bring...to put the regulatory language together for you and we'll bring that back to you. There is a number of things the General Assembly did this year that will effect DMME and therefore things that come before the Board. One of them was that the budget that was passed and sent to the Governor and then he has proposed amendments on that will be taken up tomorrow down in Richmond by the General Assembly included a fee increase for companies coming to ask for permits in front of the DMME. That is not the case bringing the cases before the Board but is to do the permitting in front of DMME. These fees would increase from \$260 per well for new wells to \$600 and for permit modifications it would increase from \$230 to \$300 per application in front of the department. The General Assembly also proposed to cut \$750,000 from the introduced budget that was assigned to DMME. Governor McDonnell has proposed eliminating this cut. I think there was a fair amount of press about that when he proposed that. That would restore DMME's budget to the same as was proposed and introduced before the General Assembly. That still includes....the introduced budget still included over a million dollars a year in cuts to the DMME's general fund budget. And so, we are still...our budget will be less than it was, but the cuts won't be as deep if tomorrow the

General Assembly accepts the Governor'S proposed amendment on tha

t. The Governor has said that he intends that the funds be primarily used for mine safety and I think we all understand the reasoning behind that. But that will help us support all of the work across the Department including the work of the DGO and the Board. While the legislation was ongoing down in Richmond this year, we also had discussions about the need to provide additional staff to help support the activities of the Board here. And we talked about ways to raise the revenue to be able to support that staff. And there was some discussion that we may need to come to you at the Board and ask you to raise the amount of fees before the Board to be able to provide the funds for that staff. Looking at the fee increases that are being put in for the permits and the reduction in the budget cut to DMME we reviewed our budget carefully and we think that if the General Assembly does accept the Governor's amendments tomorrow that we should be able to support an additional staff person to provide help and support of the board without coming to you and asking for a fee increase of applications before the Board. And so, we are committed to filling that position and we will be looking at how our budget works and how the fees do come in over the next year

to make sure that we can continue to support that position and then if we have to come back to you to talk about any kind of a fee increase we will at that time. But we think that we can do it now without that fee increase. We also don't have to wait for you to go through the regulatory process to raise the fees and so we should be able to hire that position more quickly than if we were having to wait till you go through a regulatory process to raise the fees. And so we will hopefully as we've got our own bureaucratic processes that we need to go through as any large governmental entity does within the state. But we hope to be advertising that position soon and filling it to be able to provide some staff support to David and Diane.

BUTCH LAMBERT: If the Board will remember last month, Board member Ratliff asked the staff of the Board to review the permit fees and see if there would might be a likelihood of increasing fees before the Board. We did that and that's what Steve is talking about now. We looked at the DMME budget with the \$750,000 coming back and decided that we could do that so that would address Board member Ratliff's question.

STEVE WALZ: And so, we're very glad to be able to get them some additional help. And with the arbitration process, that could potentially increase the work of the

staff also if arbitrations go through and then there you get additional petitions for disbursement of the funds. And so we felt like that is an important step that we need to take. Another issue that came up down in front of the General Assembly had to do with the treatment of the funds in escrow under the uniform disposition of unclaimed property act. That's a long name for the state law that governs what happens to unclaimed property. Attorneys for the Treasury Department believe that the proceeds that are held in escrow may be unclaimed property one year after they have been placed in escrow unless any of the owners have taken an affirmative action to exercise their ownership rights. This has been something that has not been real clear over time, so DMME and the Treasury Department have agreed to continue to work on this issue in the coming year. I think there was some coverage in the press about a meeting held down in Richmond about that and that we will be working with the State Treasurer and the Department of Treasury over this year to try to address those issues. And as things come up about those issues we will bring updates back to you before the Board. I hope we don't have anything new to report on that today. I think that covers all the actions that were done by the General Assembly this year. As you can see, they were pretty busy addressing all of these issues. And

so, if there are no other questions about what the General Assembly did this year?

BRUCE PRATHER: Mr. Chairman, I've got a question. On these fees, the increase of the fees, usually these companies can rite these fees off but there's certain fees that can't be written off and I just wondered have you had an expert look at these and see how much of these fees can be written off against their income?

STEVE WALZ: This will not change what fees can or cannot be written off. This is going to be increase in the existing permit fee that is before us. Its not a new fee or its not a changed fee. So, this would not change that at all.

BRUCE PRATHER: All right.

STEVE WALZ: Any other questions, then? All right then, thank you. I now, if it's fine with the Board, would like to turn and talk about a regulatory actions that has been ongoing for quite a while that we would like to try and get finished. And in the material that you have before you were a final proposed final amendment to the VGOB regulation and a document that we have to file with the registrar of regulations to go through the regulatory process. Your regulation, the VGOB Board Regulation was last emended effective in July 2003. And under the Administrative

Process Act, agencies are directed to periodically review all regulations to determine whether they need to be changed or updated at all. The periodic review we completed or took on the periodic review of your regulations starting on January 7, 2008 and I think there was a group that looked at both the departments permitting regulation and your regulation to determine if any changes were needed to that. They recommended that certain changes be made to improve the clarity of parts of the regulation to fix some technical standards that were in that regulation and make some other changes. So, based upon that we started to go through the formal regulation change process under the Administrative Process Act that lays out a lot of different steps and various points of public comment on the proposed change. The first step is that we on after your approval publish a notice of regulatory action on July 7, 2008. There was a 30 day comment period on any proposed or public comment on anything that they felt like needed to be changed in the regulations. We received no comments during that time period. Based upon the periodic review, we then drafted a proposed regulation that was presented to you at your November 8, 2008 meeting that proposed regulation went through the executive reviews and published for public comment on August 31, 2009. The public hearing on that

regulation was held on October 23, 2009 and a comment period ended on October 30, 2009. Comments were received from three different parties, from Catherine Jewell and Juanita Sneeuwaght jointly submitted comments, Jerry Grantham on behalf the Oil and Gas Association submitted comments and Reece Royster from EQT submitted comments. Based upon the comments that were submitted, the staff has now gone through and addressed those comments and are bringing final regulatory language to you for your approval so that they can be published. Upon your approval, this will then go back through a final executive review. It will then be published in the Virginia Registrar of Regulations and I think its 30 days after it is published then these changes would become...would go into effect. You have the final regulation package in front of you right here. The changes that were in there have either language being crossed out as shown or new language underlined. All of the language except for on page 4 of 14 is what was proposed in the and published and commented on by the public as the proposed regulation. We are suggesting to you that it might make some sense to make two changes from the proposed regulation to be published as the final regulation. And as I said, those are on page 4 of 14. In the regulation section 48C 25.160-30 E4, the proposed regulation changed the number of

copies that an applicant coming to the Board has to submit. And it says that they have to submit eight and have a sufficient number available for other people who would have an interest in the case. And it's suggested that those parties who have an interest in the case if they want to get a full copy of the exhibits would need to notify the DGO by certified mail notice of their request to get the copies. In looking at it and based upon one of the public comments that we received, we felt like it may not be appropriate to just ask a surface owner or somebody else who has been brought into a case filed before the Board to have to submit a request for papers by certified mail and so we're suggesting that we take out the requirement that they would have to send a notice to the division that they want to get copies of the papers and not have that done by certified mail but just any type of phone or mail or email request that they would want to get copies would suffice. Anyway, those papers are all subject to the Freedom of Information Act and they can get them under the Freedom of Information Act without going certified mail anyway so we felt like that an inappropriate thing. The second proposed change is in subsection F, right below that, where the regulation read that applications for the establishment and we were adding in modification of units spacing or pooling order shall be

accompanied by the \$130.00 fee. When the fee was put in place it was envisioned that this fee will cover the cost of advertising, cases before the Board, cover the direct cost of the Board, it would cover a variety of these different types of costs. And because we have to advertise each individual case before the Board and there's expenses on each individual cost, it covers the costs of the transcripts, it covers all of these costs but that the fee was intended to be a fee for each unit that was applied for. The way the (inaudible) was written it set establishment of units. Some operators have been interpreting this as...because it wasn't clear that they could just file a group of applications at once with one fee. This would clarify that the fee would be attributable to each application in front of the Board. Those are the only two changes that we are including in the regulation that we are presenting to you today. We did receive comments from the three different parties and to help you understand the decision making process that went into what we are proposing for you today I would like to quickly run through those comments and then the responses that we have proposed for those comments because this again will be filed on behalf of the Board. To do that, if you look at again Virginia Regulatory Town Hall document that says final regulation

agency background document that was in front of you and then there were handouts here for the general public. And if you'll turn to page 4 in that document, if you start and characterize the comments that were submitted to the Board on its regulation. Now, anytime we characterize comments we are not repeating the whole comment here and all of those comments are on file with the Department so if anybody wants to see the whole comment and understand what was said that's fair. But we're trying to characterize the comments here. Ms. Jewell and Ms. Sneeuwaght set in a set of comments together. One of the things that they commented on is that we didn't publish all of the various sections of the VGOB regulations. In particular, they pointed out that we didn't publish Section 80 and Section 130 of the Board regulations. The way the State process works is you only publish the Sections that have changes proposed in them and so there's no changes proposed in a section of regulations they don't get published. And so, therefore, those are not subject to public comment and they are not included in the whole process. And so, they're saying that they couldn't comment on them because we hadn't published them and that's correct. But we want to let you know and the public know that we will take in those comments and as we go through any future regulatory reviews. Again, we are required to go through a

period review of regulations. We will take those comments under consideration at that time. And so people are welcome to submit comments outside of this process, but the only ones that we can specifically address in this process are those directly related to the regulation sections that are proposed to be changed. There were also a number of comments that were addressing processes and procedures that the Board uses that were not directly addressing the regulation itself. For example, one of the comments that they submitted suggested that the Board...in the Board hearings as it takes information about a particular case in at the hearing that there are requirements that certain materials be provided to the Board in advance of the hearing and, therefore, you should probably continuing those cases as new evidence is brought forward to you. That's not really an issue that is in the regulation itself. That's more of a procedure in front of the Board. So, we're not proposing any regulation change in response to those comments. The next time it was that, a contractor should not be considered an authorized agent. Again, under contract law, we as a department and you as the Board, can't really tell a company who they can use as their designated agent. That's something that the company decides. However, the applicant is held responsible for meeting their

requirements no matter who they use as their designated agent but that doesn't require a regulatory change. Another comment was that all exhibits in the application should be sent to all of the potential parties that are listed...potential owners that are in the request for a pooling order. The regulation does require that the applicant submit sufficient copies so that they are available for interested parties but if you require them to submit the full packet to all of the parties to the case that could in some cases be over 100 people that they'd be submitting it to. Many of those who may not want to get that type of information. So, the reg does proposed though that if somebody notifies the department that they want a copy will let the applicant know and they will be sent a copy. So anybody who wants a copy can get it. And then, again, is why we took off the requirement that they notify the Board by certified mail because we thought that was not appropriate. But they notify the Board that they want copies and then the operator will be required to get copies for the people who want to see the copies. And so the regulation does not propose that they send copies to everybody that sets the process (inaudible). The next comment was that the fee should be submitted for each unit and not for multiple units and that change is being proposed in the regulation.

The commentor also believed that the fee is not adequate to cover the costs incurred to manage the Board and as we have talked about in response to what Mr. Ratliff had asked we have looked at the budget and we will have adequate fees to cover the support for the Board. So, just to...well, so that does need to be changed in the regulation. One commentor requested again...the commentor requested the use of a standardized form for notifying persons of hearings before the Board. That, again, does not have to be done as part of the regulation forms are not promulgated in the same way as regulations and so we can't have to make any change in the regulation for that. Another case the Board regulation refers to are that permits are required for gas wells or oil wells and coalbed methane wells. And the commentor said there's other types of wells such as core holes and why doesn't the regulation also refer to those. The Board doesn't have any jurisdiction over core holes or any of these other types of things. The Board has jurisdiction over gas wells, oil wells and coalbed methane wells. And, therefore, it's only addressing those wells because that's all it has jurisdiction over. There's also a fairly long stretch of time. It's about what ought to be on the plats and what information should be presented in hearings before the Board. And sometimes the acreage on the plats will

differ from the acreage showing on the city or county tax records and was asking that there be some process to be able to bring those two types of documents to have the same acreage numbers on that. This also gets to the jurisdiction of the Board. The Board has no authority to tell a locality that it should or needs to change on any of its records. The acreage showing on the county tax records is what the county or city has accepted in its records. For the purposes of your work in front of the Board, the regulation requires that the acreage be certified by a licensed land surveyor or licensed professional engineer so that we're relying on the professional licensure standards that those folks have to work within and so that the acreage presented on the deed...on the plats that are presented to you are accurate. In as far as any distinction between that acreage and what's on the county records that's not anything we as a...you as a Board or we as a Department have any authority over. And so we think you require the data presented to you to be accurate and we assure that through the certification rather than licensed land surveyor or license professional engineer. And I think that we are relying on that, the professional licensure requirements, and therefore have not change...suggesting any change in the regulation. They also...one of the comments also suggested that all of the

tracts and all of the petitions in front of the Board ought to be surveyed. Again, what you need is the acreage so you can say "X" percent of the acreage is in this tract and "Y" percent of the acreage is in the other tract so that as you're addressing who owns what percentage of the gas in a unit the acreage is what's important to you. And, again, we're relying on the licensed land surveyor professional engineers to provide the accurate percentage of acreages presented to you and so you're getting the information. We felt like you're getting the information. You need to be able to do your job to be able to say that "X" acreage is in this area and "Y" acreage is in that area. There are a lot of other issues that come up about that, but that is not...that is some of the issues that Mr. Prather was talking about that are not subject to jurisdiction of the board. There was also a comment that a lot of other information ought to be put on the plat and, again, when we look at what you are responsible to do in making decisions on force pooling orders that's based upon the acreage. Now, where are additional requirements for information to be put on plats that are needed for permitting and that information is covered in the departments regulations and we've given the citations in the regulations in here. And so there can be and needs to be additional information on plats that are

submitted through the department. But, again, we are trying to keep the information that we are requiring people to submit to you as the Board to be the information that addresses the business that is in front of the Board and that's why we felt like there was no additional change needed to that portion of the plat. Additionally, the comment said that they ought to be including property ownership and other information that goes out 800 feet beyond the boundary of the unit that they have applied to you. Again, a pooling order, when a company comes to you, they are addressing pooling of the interests in the tracts of land that are included in the proposed pooling unit. Any issues addressing the ownership of the gas or other interests outside of the unit are addressed in the field rules that come before the Board and not in individual pooling or force pooling orders. So, therefore, you really only have jurisdiction over the area that is in the unit that the application comes before you on. If somebody feels like we need to address or they need to address broader ownership issues, that's what the field rules are for so that's a separate path for people to follow on that. And they can bring that issue before you but they should do it through that particular path. And, therefore, when they get...when somebody applies to you for a force pooling order

they are only providing the information to you in the unit and there is no jurisdiction over what takes place outside of that unit so that information is not required. The next comment suggested that the regulations should add the word accurate to the requirement that they submit in estimate of amount of reserves in the unit and the estimate of the allowable costs that would be for drilling. We felt like it was not appropriate to add the word accurate in one area and not in other areas. Under the rules of construction for law, if you put a term in one section and not in other sections again, not being a lawyer but lawyers have told me many times, that the courts will look at that and say well there must have been a reason that word was included in one area and not in other areas and so, therefore, the reasonable conclusion would be drawn that information where the word accurate is put in there needs to be accurate and the rest of this stuff doesn't need to be as accurate and we think that everything needs to be accurate that is brought to the Board. And so, we felt like that if we were to add that in there it would be setting ourselves up for problems. There were other comments about the due diligence required when they bring materials before the Board and the language in the regulation is adding that a diligent search be conducted before they bring the information before the

Board. And so, it is recognizing that we need to make it very clear that when applications come before the Board that they have done a diligent search of the records of the property ownerships so that they are bringing you as complete a set of records as is possible to bring to you when you have cases for force pooling before the Board. So, I think the comment was talking about the need to improve that and your regulation would propose to add that a diligent search be added in there and that was already in the proposed regulation. There was another comment that when in any kind of cases involving conflicting claims unleased parties or unknown owners that they should always be pooled and tracked by the same number. When we're keeping track of units in here, when they come before you they originally have a unit number assigned to them and then when there is a request to modify that unit it comes before you with that same number and then with an extension showing that its modification one or modification two. And so, we are trying to keep the same numbers on units before you. Where that does change is when they create a new unit where they combine a bunch of units together into a job unit and there can be a new number assigned in that case. But we're going through and we're creating a data base of records to be at the length from the old units to the new unit numbers

and we will be putting that up on the DMME website so that will be available for anybody to see so that they can trace the unit through as any type of the unit is changed to that effect. Another comment said that notice should be given to all owners in an area covered by a Board order when the operator changes its name or transfers ownership. The requirements for what an operator needs to do when he changes his ownership or changes the name is set out in another section of VGOA in 45.1-361.37, and that requires the operators to report that to the department and so therefore there is no statutory requirement that they make any other notice to anybody but the department and so therefore there is no authority to put that in the Board regulation. There was another comment as the other sections of the regulations in sections 50, 60 and 70 incorporate all of the other changes that the comments were asking for in the notice section of the regulation in Section 160-40. In Sections 50, 60 and 70, which deal with the force pooling of conventional wells and coalbed methane wells, it cross-references the requirements in Section 40 for notice that are required to be picked up, so we don't have to included and duplicate all of the requirements because they are already cross-referenced in that regulation. There was a question about where the DGO gets the authority to grant

exceptions to statewide spacing requirements and that again is laid out in Section 40.1-361.17(b) and so that's nothing that needs to be addressed in the regulation. The issue in supplemental orders, there were concerns raised about that in the comments. And so your regulation change would propose an unambiguous time for filing of these supplemental orders and I think it's 45 days after the end of the election period is what is set out in the order. So, your rate change would set a hard standard for when those supplemental orders would need to be filed. So, it's addressing the problem that's out there. There was comments about whether inclination surveys are done and whether they are ever filed and brought before the Board. The Board requirement for an inclination survey, and what an inclination survey is is it tells that as the well was drilled down and has it inclined and gone off in any direction. The inclination survey is required to know that where the well is located on the top its...in the unit well we also need to know that the bottom where the well is being produced from is in the unit. It hasn't drifted off in any direction or gone outside the unit. And those inclination surveys are filed with the department as part of the drilling logs. And so we get all of those inclination surveys that are filed and so if there were ever any

question we'd have those on file at the department. So, we don't have to do anything different with that. Lastly, their comment said that royalty owner should be paid for all production, which I think we all agree with, and that the production record should be public which we all agree with. And then it asked why it was...the results of the potential flow tests on the wells would be kept proprietary. The well flow potential tests are completed prior to when a well...are done prior to when a well is completed and its connected into a pipeline or connected to tanks if its an oil well. It's completed as part of the process to determine whether or not the well is economical and should be hooked up to the pipeline and so there's no production during a well potential test and therefore there's no royalties to be paid on that. The well potential test is considered proprietary because its business information that the companies use in determining whether where to make investments and their competitors might be able to use that in determining whether to buy leases and so that was kept proprietary as business records. But as soon as there is any production then those records are public records and are available for people to review and must be filed. And so anything that is affecting the production in any payment for production are public records. The other two comments from

Jerry Grantham and Maurice Royster were recommending that these changes go ahead so there were no replies needed for those. I know that took quite a while but we wanted to give you a sense of what all of the comments were and the changes that were or were not being made in the regulation based upon those comments. And so we now have the draft regulation in front of you. Again, its gone through all these public comment processes, you had looked it when it was as a proposed regulation and we're only talking about the two changes on page 4 that are between a proposed and a final regulation. Since the VGOB is what is called the promulgating authority for these regulations we would need formal action by the Gas and Oil Board to go ahead and move this regulation forward and get it published as final. And, I guess, I would ask if that's something that the Board would be willing to do today. This process is taken a long time and we'd like to get it finished up before we start a new regulatory process as is set out under the arbitration law. And so, I guess, if it would be the will of the Board I would ask if the Board would be willing to approve this regulation to be published as final?

BUTCH LAMBERT: Do I have a motion or any discussion first before I call for a motion. Any discussion? Do I have a motion?

BILL HARRIS: Motion for approval of the proposed regulations.

STEVE WALZ: Of the final regulatory language is what we're asking you to be approved.

BUTCH LAMBERT: To be published?

BILL HARRIS: Yes.

MARY QUILLEN: Second.

BUTCH LAMBERT: I have a motion and a second. All in favor signify by saying aye.

(All members signify saying aye.)

BUTCH LAMBERT: Opposed, no?

(No audible response.)

STEVE WALZ: Thank you very much. You will then be moving this regulation forward and filing it and so it will be published in the Virginia Registrar of Regulations and the long long process that we started back in early 2008 will get finished and then we'll get to start right away again on the next changes of regulations before the Board.

BUTCH LAMBERT: We don't have a chance to get the Director before us. Are there any other questions or comments from the Board for the Director?

(No audible response.)

BUTCH LAMBERT: Thank you Mr. Walz. We appreciate your time.

STEVE WALZ: Thank you very much for taking the time to listen and I'm very glad to be in front of the Board.

BUTCH LAMBERT: At this time we're going to take a 10 minute recess. We'll reconvene at 11:00.

(Break.)

BUTCH LAMBERT: Okay, ladies and gentlemen, the next item on the docket is a petition from CNX Gas Company for the disbursement of funds and authorization of direct payment of royalties on a portion of Tract 5, unit S-37, docket number VGOB-98-0421-0649-04. All parties wishing to testify please come forward and be sworn.

MARK SWARTZ: Mark Swartz and Anita Duty.

MARTHA QUILLIAM: Martha Guillian on behalf of the Linkous Horn heirs.

COURT REPORTER: (Witnesses are duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MARK SWARTZ:

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

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And this is a disbursement request, correct?

A. Yes.

Q. And what unit does it pertain to?

A. S-37.

Q. And does it pertain to a specific tract in that unit?

A. Yes, Tract 5.

Q. And does it...would it, if the disbursement request were approved, would it disburse all of the money in tract 5 or just part of it?

A. Just a portion.

Q. Okay. And have you identified on the first page of the miscellaneous petition, the people that would be receiving money if this petition were approved?

A. Yes.

Q. And there at paragraph five, correct?

A. Yes.

Q. Hurt McGuire Land Trust, Patricia D. Horton, Nancy H. Stilwell, Martha Smith and Sarah K. Day, would those be the folks you are proposing to disburse to?

A. That's correct.

Q. And if other people have claims or interests in Tract 5 we're not seeking to disburse money to them today, is that correct?

A. That's correct.

Q. Have you provided the Board with a escrow calculation?

A. Yes.

Q. And that was at the last page of the application?

A. Uh-huh.

Q. And is that as of a specific date?

A. December 31, 2009.

Q. Is this something that you yourself did?

A. Yes.

Q. To do this calculation, what records did you have available to you?

A. I compared CNX's royalty payment records to the escrow agents ledger sheets.

Q. Okay. So, you basically compared what the operator paid and believed it deposited to the amounts that the escrow agent showed as received?

A. Yes.

Q. And when you made that comparison through 12/31/09 what did you determine?

A. They were in balance.

Q. Okay. And in your escrow Exhibit A, as of 12/31/09, what was the total amount on deposit with regard to this tract in this unit?

A. \$11,182.29.

Q. And of that amount, again as of 12/31/09, if it had occurred on that date what amount would have been disbursed?

A. \$1,934.05 to Hurt Land McGuire Land Trust.

Q. Okay. And then the same amount to the four oil and gas claimants?

A. Yes.

Q. Okay. Have you provided the percentages that the escrow agent should use to make these disbursements?

A. I have.

Q. And are they set forth in Exhibit A?

A. Yes.

Q. And so that Hurt McGuire would receive the number you've just reported 17.2957%, correct?

A. Yes.

Q. And each of the four Linkous Horn heirs identified on that Exhibit would receive the percentage set forth opposite their names?

A. Yes.

Q. For example, Patricia Horton would receive .3145%?

A. Yes.

Q. And the other three folks would receive 5.6604%?

A. Yes.

Q. And are you also asking that the Board allow the operator pay these people directly with regard to Tract 5 after the order...after the disbursements are approved?

A. Yes.

Q. So that there will be no further escrow requirement with regard to these people?

A. That's correct.

Q. Okay. And will there be money...obviously there will, but just to clarify for the record, there will be money remaining in this escrow account for Tract 5 after these disbursements are made?

A. There will.

MARK SWARTZ: Okay. That's all I have.

BUTCH LAMBERT: The Exhibit AA that you passed out, is that a change from what we have in the package?

ANITA DUTY: When we received our...some of the W9

forms they had updated addresses so we just updated the Exhibits to match.

BUTCH LAMBERT: Ms. Guilliams.

MARTHA GWILLIAMS: I would like to make a motion that we do not disburse any money out of this account because it is still in conflict with Danny McClanahan.

BUTCH LAMBERT: You can ask the Board to not do that but the Board makes the motion.

MARTHA GUILLIAMS: Okay. Well, I'm asking the Board not to allow disbursement of the money.

BUTCH LAMBERT: Because of Danny McClanahan?

MARTHA GUILLIAMS: Well, that's part of it. But it just looks to me like its conflicting because we're in disagreement. We are not getting statements. We don't know exactly what's there. We don't get statements when money is being disbursed and its not really fair to the continuing... you know, our money is continuing to stay in escrow. We need to have some idea of what's being taken out, what's going in, when you make another deposit and there's no way this can be a good thing. So, I would just ask that you don't have any more disbursements for anybody until we get a settlement, you know, get---.

BUTCH LAMBERT: I don't see in the Exhibit E that we have that Mr. McClanahan is involved in any

disbursements.

MARK SWARTZ: Correct.

MARTHA GUILLIAMS: And then we do still have a section in this that he has made claims that we've given Mr. Asbury the deeds and everything to show that everything that could be accepted and retained was retained and accepted before he got the land but we were told at the last meeting that he was still...claimed he has been still calling the office and we have no clearance on that.

BUTCH LAMBERT: The information we have before us is addressing Tract 5 and it doesn't show Mr. McClanahan involved in Tract 5, is that correct?

MARTHA GUILLIAMS: I am just asking...I just want the record to state that I am asking that it not be disbursed. So whatever---

DAVID ASBURY: Mr. Chairman?

BUTCH LAMBERT: Mr. Asbury?

DAVID ASBURY: I think Ms. Guilliams would have rights if her particular ownership was being disbursed and a request before the Board. It's the staffs' information that these individuals from her family have agreed to a split agreement and have petitioned for disbursement and would like their money disbursed from the escrow account. And there is no...as you stated, there is no conflict in Tract 5

between the Linkous Horn heirs and Danny McClanahan.

BUTCH LAMBERT: Okay. Any questions from the Board? MARY QUILLEN: Mr. Chairman, could I ask, what is your name again?

MARTHA GUILLIAMS: Martha Guilliams.

BRUCE PRATHER: Is it G-U-I-L-L-I-A-M-S?

MARTHA GUILLIAMS: Yes.

BRUCE PRATHER: Yeah, I see it in here now.

BUTCH LAMBERT: Any further questions from the Board?

BRUCE PRATHER: Well, Mr. Chairman, what basis is...I mean, she's getting her percentage of the well. On what basis does she not want us to do this any further? I don't quite understand. I mean, she's not in conflict with anybody according to the information we've got here.

BUTCH LAMBERT: That's what we have before us.

MARK SWARTZ: No, she's in conflict. Nobody is being escrowed. She's not in the disbursement, but if you look at Exhibit E, which is the conflict exhibit, her interest is in conflict...showing conflict with Hurt McGuire, but she hasn't signed a split agreement as far as I know and we're not asking that any money be disbursed to her or Hurt McGuire associated with her interest.

BUTCH LAMBERT: Any further questions from the

Board?

BILL HARRIS: Let me just ask you again. Ms. Guilliams, could you state again what your objection is and why you would request that we not award this?

MARTHA GUILLIAMS: Well, we've just had new laws passed, which haven't even been written and I don't think that is good. I just wish that we could stop disbursing money at least until after the first of July until we can see what's going to happen. Because actually it is said that that law wouldn't be really effective until July 1st. We all follow this thing.

BUTCH LAMBERT: No argument. Now, there's two bills and one is effective immediately and one is doesn't come effective until July 1st. However, neither one of those would have any impact on disbursement orders right now that's before us.

MARTHA GUILLIAMS: I don't...okay, this, and clear my mind, this I don't understand. I mean, we have no...you have no problem saying that we own this gas, okay. I have no problem with the amount of acreage, 82+ whatever acres. Mr. Asbury doesn't have a problem. And if these people come in and they agree to split it down the middle, give this Hurt McGuire Land Trust whatever half of it then they're free to go. Okay, by the same thing here, you know that I

own my share, Mr. Asbury knows it. Nobody has any conflict. So, what is the difference...explain to me what is the difference then if I can't just go in and collect what belongs to me? Why should I have to give half of it away? Why do these people have to give half of it just to get what's rightfully theirs? This is where you lose me. I don't understand.

BUTCH LAMBERT: Well, that is not relevant to what we have before us right now. From what we have before us being disbursed there is no issues.

MARTHA GUILLIAMS: Well, I'm objecting to it. I mean, I can't make you stop, okay. I just want you to know that I don't agree with it.

BUTCH LAMBERT: Okay. All right.

MARTHA GUILLIAMS: I mean, I'm not going to sit here and argue with you.

BUTCH LAMBERT: Sure, I understand.

MARTHA GUILLIAMS: I'm just making my statement. I just want the record to show that I'm objecting. Okay, that's all.

BUTCH LAMBERT: Okay, all right. Thank you, Ms. Guilliams.

MARTHA GUILLIAMS: Mark and I have been friends for years. We're not going to get into it.

MARK SWARTZ: We're working on two decades, aren't we?

MARTHA GUILLIAMS: We are, yes.

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: Other than restate that the reason for the request is that the five people that are receiving disbursements have actually entered into an agreement to resolve their conflicts. Just to remind you that that's why it has occurring.

BILL HARRIS: Let me just ask one other question for my own clarification. The Linkous Horn heirs listed in green in this Exhibit E that was handed out that's revised, those are the ones with the split agreement, not the whole group?

MARK SWARTZ: Well, it's a little more complicated than that. There are three sets subsets of Linkous Horn heirs. There is a subset of Linkous Horn heirs that have entered into split agreements who want their money and four of them are seeking to receive disbursements today. There is a subset of Linkous Horn heirs who have entered into split agreements and don't want their money and those are identified in green. Okay, then there is another subset of Linkous Horn heirs who have not entered into split agreements which would include Martha and they are listed in

this Exhibit E as well. So, there's three subsets in that family.

BILL HARRIS: So, the subset that we are asked to approve is the subset that has signed...the group have signed the split agreements?

MARK SWARTZ: And want their money.

BILL HARRIS: And want their money.

MARK SWARTZ: As opposed to folks who have signed split agreements and say we want to walk away from them and that's a different debate that, you know, none of us are going to resolve.

BILL HARRIS: Right. Okay, now if this were awarded this does not affect the money that would normally go to---?

MARK SWARTZ: It does not change their acreage or the money on deposit. I mean, as you can tell here, if we made this disbursement at the end of December of 2009 it would be slightly less than \$4,000 and at that time there was slightly more than \$11,000. So, it would leave, you know, roughly 75% of the money intact because you know only four of these heirs are getting money.

BILL HARRIS: So, Ms. Guilliams' money is unaffected by what we do today?

MARK SWARTZ: Correct. Her percentage---.

BILL HARRIS: I just wanted to make sure that she understood that that---.

MARK SWARTZ: Correct, that money is still there, 100% of it, not some smaller piece of it but 100% of the money attributable to the acreage that she owns.

BUTCH LAMBERT: Any other questions? Do I have a motion?

MARY QUILLEN: Mr. Chairman, before we do this vote, I have just one question. Are any of these people here that are listed on?

MARK SWARTZ: Well, Ronnie is always here.

MARY QUILLEN: No. No, no, no, no.

BUTCH LAMBERT: No, she's talking about on the---.

MARY QUILLEN: The listed for disbursement.

BUTCH LAMBERT: On Exhibit A.

MARK SWARTZ: No, we notified them but they're not coming.

MARY QUILLEN: None of those folks are here then?

MARK SWARTZ: Cor...as far as I know they are not.

BUTCH LAMBERT: Do I have a motion for disbursement for the five folks listed in Exhibit A?

BRUCE PRATHER: I'll make a 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 Katie
Dye.)

BUTCH LAMBERT: Opposed, no?

KATIE DYE: Abstain.

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

MARTHA GUILLIAMS: Thank you, Mr. Chairman.

BUTCH LAMBERT: Thank you, Ms. Guilliams. The next
item on the docket is item number four. A petition from CNX
Gas Company for the disbursement of funds and authorization
of direct payment of royalties on a portion of Tract 1B,
Unit AZ-99, docket number VGOB-04-0120-1150-01. All parties
wishing to testify please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MARK SWARTZ:

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

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And we're here on a petition to make disbursements from escrow with regard to Unit AZ-99, is that correct?

A. Yes.

Q. In the petition, have you identified by name the people that would receive the disbursements if their request was approved?

A. I have.

Q. And there at paragraph five?

A. Yes.

Q. And who are the folks that would be receiving the disbursements?

A. Harrison-Wyatt, LLC., Jean Sanders Fletcher, Chester Sanders, Dave Sanders and Norman Sanders.

Q. And is their reason for the request the fact that these folks have entered into a split agreement?

A. Yes.

Q. Have you seen those agreements?

A. I have.

Q. Are they 50/50 agreements?

A. Yes.

Q. Did you do an analysis of the escrow account balances in this unit?

A. Yes.

Q. Okay. And were talking here just about 1B, is that correct?

A. That's correct.

Q. And we're talking about only a piece of it?

A. Yes.

Q. So, there would be an escrow requirement beyond these disbursements because there would still be money on deposit?

A. Yes.

Q. Okay. Did you compare the records that you usually look at as of a specific date?

A. February 28, 2010.

Q. Did you have access to both the bank records showing deposits and the operators records showing payments?

A. I did.

Q. And when you compared those sets of records, what did you determine?

A. They were in balance.

Q. With regard to your Exhibit A, have you set a percentage opposite the name of each person that has entered into a split agreement and would be receiving a disbursement if this application was approved?

A. Yes.

Q. And what percentage should the escrow agent use to make a disbursement to Harrison-Wyatt, LLC?

A. 30.98592%.

Q. Okay. And with regard to Jean Sanders Fletcher, what percent?

A. 1.40845%.

Q. And with regard to Chester Sanders, Dave Sanders and Norman Sanders, what percent for each of them?

A. 9.85915%.

Q. And in the event this petition were approved and an order entered are you also as operator requesting that you be allowed to pay these folks directly with regard to their interest in Tract 1B rather than continuing to escrow their funds?

A. Yes.

Q. And just to reiterate what we normally comment with regard to the disbursements and the escrow agent the escrow agent should definitely use the percentages to make the disbursement as opposed to the dollar amounts?

A. Yes.

Q. Because the dollar amounts will be different?

A. Yes.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Questions from the Board?

MARK SWARTZ: Oh, excuse me.

Q. Initially, did you want to make a disbursement regarding one additional person here, just to put this in perspective?

A. Yes.

Q. Okay. And who is that?

A. Adrienne Sanders Ford.

Q. Okay. And that person also has a split agreement?

A. Yes.

Q. But that person has not provided us with a W9?

A. That's correct.

Q. So, in the event...so, you've removed them from Exhibit A, but this person will appear in a couple of other units as we work forward and in the event a W-9 is provided then we'll have to deal with that again I take it, or no?

A. Yes. I think...I don't think she needs to be paid out of AZ-99. She's already been paid out of there.

Q. Oh, she's been paid out of here already?

A. Yes. Sorry about that.

Q. Okay. That's all right.

A. She will be in the other two.

Q. This is a kind of never mind then?

A. Yeah, just forget it.

SHARON PIGEON; Do you in fact have a W-9 from this individual?

MARK SWARTZ: We do not. So, in the next two units we're going to have that problem with her.

BUTCH LAMBERT: Mr. Swartz, you passed out two new exhibits. Are these just correcting addresses or---?

ANITA DUTY: Yes. And we have highlighted Adrienne Horn in pink but it doesn't apply to this unit. It will apply to the other two units. You'll see the same type of exhibits.

BUTCH LAMBERT: Okay.

DAVID ASBURY: Mr. Chairman?

BUTCH LAMBERT: Mr. Asbury?

DAVID ASBURY: All the exhibits have 1150 on them. Our records indicate AZ99 as 1250. So, we would ask the Board to ask for additional or revised exhibits reflecting

the unit as 1250 and a petition.

SHARON PIGEON: Do you have any idea how we happen to have two totally sets of different numbers?

BUTCH LAMBERT: Yeah, because everything we have has 1150 on it.

MARK SWARTZ: Well, except for the plat.

DAVID ASBURY: The original order and supplemental order, everything prior to this petition had 1250 on it. I think its just a typo.

MARK SWARTZ: That's pretty easy to fix.

ANITA DUTY: Yes.

BUTCH LAMBERT: So, we'll be getting all new---?

BILL HARRIS: Everything.

BUTCH LAMBERT: Yeah, everything.

MARK SWARTZ: A set of originals that has a two.

BUTCH LAMBERT: Any other questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

BILL HARRIS: Motion for approval.

BRUCE PRATHER: Second.

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

(No audible response.)

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

(All members signify by saying yes, but Katie
Dye.) BUTCH LAMBERT: Opposed, no?

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Ms. Dye. Okay, and
for the record too, Mr. Asbury, our docket has the wrong
number.

MARK SWARTZ: I wonder who the operator in that
unit actually is?

BUTCH LAMBERT: I don't know, but they're going to
get some money. Next item on the docket is item five. A
petition...wait a minute, are we on five? Okay, we are on
item five. A petition from CNX Gas Company for disbursement
of funds and authorization of direct payment of royalties on
a portion of Tracts 1A and 1F, Unit AZ-100, docket number
VGOB-03-0415-1139-01. All parties wishing to testify,
please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MARK SWARTZ:

Q. Anita, would you state your name for the record again, please?

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And this is an application requesting disbursement from escrow with regard to some of the funds from escrow concerning unit AZ-100, is that correct?

A. Yes.

Q. The tracts that are affected are 1A and 1F?

A. Yes.

Q. And we're talking about a portion of both of those tracts, so there will be an escrow requirement in place even after these disbursements if they are approved?

A. That's correct.

Q. Did you do an escrow accounting for these two tracts?

A. Yes.

Q. Okay. To do that, did you compare the operators payment records with the banks deposit records?

A. Yes.

Q. Did you make that comparison as of a specific date?

A. February 28, 2010.

Q. And when you made that comparison as of that date, what did you find?

A. They were in balance.

Q. Okay. Now, with regard to this unit, you have passed out an Exhibit EE that does in fact list Adrienne Sanders Horn, right?

A. Yes.

Q. And we're not requesting a disbursement even though that person has a split agreement at this time because we do not have a W-9?

A. That's correct.

Q. Okay. And have you updated addresses to the extent that W-9's that we've received suggest address changes?

A. Yes.

Q. And other than that, is Exhibit EE consistent with what the Board has previously had?

A. It is.

Q. With regard to the folks that would be receiving a disbursement here, have you identified them by name at paragraph five of the petition?

A. Yes.

Q. And the basis for the request is because

they have entered into split agreements?

A. Yes.

Q. You have seen those agreements?

A. Yes.

Q. Are they 50/50 agreements?

A. Yes.

Q. On Exhibit A, the last page of the petition, have you set forth opposite the name of the coal owner or claimant and the oil and gas owners claimants the percentage that the escrow agent should use to make the disbursements to them at the time the payment is made?

A. Yes.

Q. What's the percentage for Harrison-Wyatt in Tract 1A?

A. 10.48967%.

Q. And the percentage for Gene Sanders Fletcher is?

A. 1.31121%.

Q. Adrienne Sanders Horn is not receiving any of this disbursement, correct?

A. Correct.

Q. And for Chester Sanders, Dave Sanders and Norman Sanders what's the percentage that the escrow agent should use to disburse from the account with regard to Tract

1A?

A. 9.17846%.

Q. Okay. With regard to Tract 1F, to Harrison- Wyatt, LLC, what's the percent?

A. 2.79648%.

Q. And with regard to Diane L. Booth and Herbert Sampson concerning Tract 1F, what's the percentage that should be used for both of them?

A. 1.39824%.

Q. Is the operator also requesting that if this disbursement request is approved the operator be allowed to pay these folks identified at paragraph five of the petition directly rather than escrowing their funds?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

SHARON PIGEON: Was this the portion at both tracts?

MARK SWARTZ: Correct.

DAVID ASBURY: Mr. Chairman?

BUTCH LAMBERT: Mr. Asbury?

DAVID ASBURY: I was a little bit behind when you were going over these. This Adrienne Sanders Horn, that's the individual you don't have a W9 at this time?

MARK SWARTZ: Correct. And it's not going to receive a disbursement.

DAVID ASBURY: Okay. He's shown on Exhibit EE. Should we remove him from Exhibit EE and put him back on E because he's not being disbursed?

MARK SWARTZ: No because he has---

DAVID ASBURY: A split agreement.

MARK SWARTZ: ---a split agreement so he would---

ANITA DUTY: He needs to be on it anyway.

MARK SWARTZ: EE identifies people who have split agreements.

ANITA DUTY: But in reality they do have an agreement though, we just need a W-9.

DAVID ASBURY: When you receive a W-9, are you going to come back to---

MARK SWARTZ: We're going to have to because the percentage will change.

DAVID ASBURY: Right. Then he will need to be on E and when you come back he goes on E because you're not paying him out.

SHARON PIGEON: Is the escrow agent going to be using this Exhibit A to calculate from it because it has Adrienne Sanders Horn receiving money there. So, we probably need---

DAVID ASBURY: You'll have to remove it from Exhibit A.

SHARON PIGEON: You'll have to have a different Exhibit A to correct that unless you get it when you're in your office---

DAVID ASBURY: And will...Harrison-Wyatt will be reduced by .65560%.

MARK SWARTZ: Well, I guess, we can give you one, but she's just testified that he's not going to receive a disbursement for the reason stated. So, I mean, if you want a revised Exhibit A we'll get you one but I mean---

SHARON PIGEON: We're talking about what the escrow agents going to have in their hands to pay---

DAVID ASBURY: ---what's recorded as being disbursed.

MARK SWARTZ: You see, I thought you told the escrow agent in the order what to do and that they didn't rely on charts. Am I...I mean, I thought the order to the escrow agent was you do this as opposed to you figure it out.

DAVID ASBURY: Right.

MARK SWARTZ: So...well, no. I mean, seriously. And if the escrow agent is getting a this is what the Board wants you to do then I think you've made a record, you know,

allows you to have to draft the order. If you actually send this chart to them and their expected to use it then you know we'll change it.

DAVID ASBURY: We record both. We record this document behind the order for disbursements and the actual order that we draft for the Board and is signed by the Board for disbursement is supported by this document also. So, our document would disagree with the percentages that's in this petition.

MARK SWARTZ: It wouldn't if your order said we're not making this disbursement because this person didn't tender a W-9. I mean, you need to just...if you want this different you just need to tell us because normally I wouldn't expect that it needed to be. So, I gather what I'm hearing is you want us to change Exhibit A and we will.

DAVID ASBURY: If we're not, and this is the way I understand it, at the Board's wishes. If for those being disbursed and have split agreements, those individuals are shown in Exhibit EE. Now, this individual has a split agreement, but he doesn't have a W-9 form so he is not being disbursed. So, he is still in escrow, which would reflect that he should be in Exhibit E until he's disbursed. So, he should come back to Exhibit E and be taken off the EE and he should be not part of Exhibit A.

MARK SWARTZ: We're taking more time on this than we need, but we'll do that. I mean, I don't see that it needs to be done, but if that's your preference we'll do it. No problem.

BUTCH LAMBERT: Submit a new Exhibit A.

MARY QUILLEN: Mr. Chairman, just one little clarification. That means there's going to be a change in the percentages?

BUTCH LAMBERT: Yes.

MARK SWARTZ: No.

DAVID ASBURY: Yes.

MARK SWARTZ: No, there's not.

DAVID ASBURY: Yes, there will be the sum total of those being disbursed in Tract 1A to Hurt McGuire, that should sum up...that will included the Sanders Horn .65560% to give Hurt McGuire 10.48967% in the real disbursement because he's not being disbursed he will not be shown in the sum total will be for Hurt McGuire 10.48967 less the .65560.

MARK SWARTZ: Why would we do that? They've given you a W-9 and they're entitled to the money. Why would we reduce what they're getting? The only thing that disappears here is Adrienne Sanders Horn and his money is going to continue to be escrowed and Hurt McGuire is going to receive their money.

SHARON PIGEON: If we modify this Exhibit A to show this sheet of paper that you don't have a W-9 for this individual and therefore they are not receiving payout on this wouldn't that handle this problem and the percentages would not change?

BUTCH LAMBERT: And wouldn't change...wouldn't change the percentages.

MARK SWARTZ: We have to come back to fix this when we have this W-9. I mean, that's why I was kind of---.

SHARON PIGEON: Similar to what you've done, you know, on your other exhibits where you've made it different colors and so on and so forth, but if we put that on Exhibit A this individual has a split agreement but we haven't received a W-9.

MARK SWARTZ: We'll put a note on there that the disbursement can't be made at this time because, you know, we need to have the W-9 or otherwise we'll never get them.

BUTCH LAMBERT: And that will match the language that's in the order.

SHARON PIGEON: It's important, I think, as David was making a point that the order language per se match the attachments, but I think it's better handled on the face of the attachment.

MARK SWARTZ: We've got that.

DAVID ASBURY: So, we're going to change Exhibit A with a note?

SHARON PIGEON: Yes.

MARK SWARTZ: Correct.

DAVID ASBURY: And we are going to disburse the Hurt McGuire percentage?

SHARON PIGEON: In total.

DAVID ASBURY: In total.

BUTCH LAMBERT: Any other questions from the Board?
(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

BILL HARRIS: Motion for approval as amended.

BRUCE PRATHER: Second.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no?

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Ms. Dye. Thank you, Mr. Swartz, approved. The next item on the docket is a petition from CNX Gas Company for disbursement of funds and authorization of direct payment of royalties on Tracts 1H and 1I, unit BF-100, docket number VGOB-04-1214-1368-01. All parties wishing to testify, please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And this is a request for a disbursement with regard to the escrow for unit BF-100, correct?

A. Yes.

Q. And it pertains to two tracts, 1H and 1I?

A. Yes.

Q. And this request would zero out the escrow account for both of those tracts, correct?

A. It would.

Q. Okay. But would there still...there would still be an escrow requirement though for other tracts in BF-100?

A. Yes.

Q. Have you listed the folks who would receive disbursements here in summary form at paragraph five?

A. Yes.

Q. Okay.

A. It would be Harrison-Wyatt, LLC, CNX Gas Company and Hampton Austin.

Q. Okay. And have you provided an Exhibit A with regard to these two tracts?

A. Yes.

Q. Did you do that exhibit as of a date certain?

A. February 28, 2010.

Q. And when you made that comparison as of that date what did you find?

A. They were in balance.

Q. Okay. These parties that you are requesting that the disbursement from escrow be made because they've entered into split agreements, is that correct?

A. Yes.

Q. And have you seen those agreements?

A. Yes.

Q. Are they 50/50 agreements?

A. They are.

Q. We're not requesting a disbursement even though that person has a split agreement at this time because we do not have a W-9?

A. That's correct.

Q. Have you set forth on Exhibit A the percentages that the escrow agent should use to make the disbursements?

A. Yes.

Q. With regard to Tract 1H, what are the percentages that the escrow agents should use for both Harrison-Wyatt and CNX Gas?

A. 1.7620%.

Q. And with regard to Tract 1I, what percentages should the escrow agent use for disbursements to Harrison-Wyatt and Hampton E. Austin?

A. 13.0388%.

Q. And if this order allowing disbursements is made and approved, are you also requesting as operator that you be allowed to pay these folks directly rather than escrowing funds attributable to these two tracts in the future?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Again, our revised exhibits just updating addresses?

ANITA DUTY: Yes.

BUTCH LAMBERT: Thank you. Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no?

KATIE DYE: Abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye.

MARK SWARTZ: I'm going to be asking to withdraw the petitions identified at docket item seven and eight. We've continued these a couple of times. We still need some more time so we're just asking leave to withdraw them. That would be docket item seven and eight.

BUTCH LAMBERT: Okay. Docket item seven is a petition from CNX Gas Company LLC for repooling of coalbed methane unit Q-41, docket number VGOB-93-0216-0327-02 is being withdrawn. Docket item number eight, a petition from CNX Gas Company, LLC for repooling of coalbed methane unit P-41, docket number VGOB-93-0216-0329-02 is being withdrawn. Are you okay with that, Mr. Kaiser, moving these?

JIM KAISER: Yes.

BUTCH LAMBERT: The next item on the docket will be item number ten. A petition from CNX Gas Company for repooling of coalbed methane unit BE-107, docket number VGOB-05-1018-1506-01. All parties wishing to testify please come forward.

MARK SWARTZ: Mark Swartz and Anita Duty.

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MARK SWARTZ:

Q. Anita, would you state your name for the record, please?

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. And with regard to this is application, this is a application to repool a unit, is that correct?

A. Yes.

Q. And in that regard, did you provide notice to the respondents that there would be a hearing today?

A. I did.

Q. How did you do that?

A. Mailed by certified mail return receipt requested on March 19, 2010 and published in the Bluefield Daily Telegraph on March 30, 2010.

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

A. The notice and location exhibit.

Q. Have you or are you going to before you leave today provide the publication certificate and the certificates with regard to mailing to Mr. Asbury?

A. Yes.

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

A. No.

Q. Do you want to dismiss anyone as a respondent?

A. No.

Q. This pertains to unit BE-107, is that correct?

A. Yes.

Q. And there are currently two wells in that unit?

A. There are.

Q. One is in the drilling window and one is outside?

A. Yes.

Q. And you have provided the cost estimates with regard to those two wells, is that correct?

A. Yes.

Q. And the cost estimates are?

A. For BE-107, \$244,404.40. BE-107A is \$271,323.32.

Q. And are there permits for both of the wells?

A. Yes.

Q. And the numbers are?

A. BE-107 is 6900 with an estimated depth of 2,824. BE-107A is permit number 10,428, estimated depth 2,365 feet.

Q. This is a middle ridge unit, is that correct?

A. Yes.

Q. Contains 58.74 acres?

A. Yes.

Q. Have you provided the Board with ownership information that was updated in Exhibit A page two document or were about to, I guess?

A. Yes.

Q. Since you filed this application, has there been some changes in the interest that the applicant has in this unit?

A. It was wrong to start with.

Q. Okay. So, what you're passing out now it shows a revision date of April 19, 2010, it's the correct ownership information?

A. Yes.

Q. Would you tell the Board what interests the applicant has been able to acquire and what interests you are seeking to pool by this repooling application?

A. We've acquired 95.5471% of the coal claim, 96.4869% of the oil and gas claim, and seeking to pool 4.4529% of the coal claim and 3.5131% of the oil and gas claim.

Q. There's an escrow requirement here, correct?

A. Yes.

Q. And what tracts does it pertain to?

A. Tracts 10, 11, 12, 13, and 14.

Q. And the escrow requirement is for two reasons, you have unknowns and unlocateables as well as conflicts?

A. I do.

Q. Okay. There are no split agreements in this unit?

A. No.

Q. What are the lease terms that the operator has offered folks, in general, if you've been able to reach agreements with?

A. Five dollars per acre per year with a five year paid up term and a one-eighth royalty.

Q. And would you recommend those terms to the Board to be inserted in any order it might enter with regard to folks who are deemed to be leased?

A. Yes.

Q. The applicant here is CNX Gas Company, LLC, correct?

A. Yes.

Q. And does the application propose that CNX be the Boards operator as well?

A. Yes.

Q. In that regard, is CNX Gas Company, LLC a Virginia limited liability company?

A. It is.

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

A. It is.

Q. Has it registered with the DMME?

A. Yes.

Q. Does it have a blanket bond on file with regard to the DGO/DMME?

A. It does.

Q. Okay. Is it your opinion that drilling two wells in the location shown on the plat with regard to this unit is a reasonable way to develop the coalbed methane resources from within and under this unit?

A. Yes.

Q. Is it your further opinion that if you

combine a pooling order from this Board, repooling this unit and pooling the respondents listed in the notice and Exhibit B-3 and you combine that with the acquisition and leasing efforts that the applicant has been successful in, the correlative rights of all owners and claimants in this unit 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: Mr. Asbury?

DAVID ASBURY: In Exhibit E, there is a Tract 2 and a Tract 14 in escrow and that's not shown in the exhibit here for being disbursed.

BUTCH LAMBERT: I'm sorry. We can't hear you over here.

DAVID ASBURY: In the original pooling, there was a tract 2 and a tract 14 shown in escrow. This was reported in February 2006 so there should be money being placed in escrow for conflicting claims in Tract 2 and Tract 14 that are not shown here, right?

ANITA DUTY: Well, Tract 2 is just been broken down. There's a 2 and a 2A.

DAVID ASBURY: Are they still in escrow?

ANITA DUTY; Yes. CNX has purchased the John Street's interest.

DAVID ASBURY: Okay. My issue is there may be money in escrow.

ANITA DUTY: There is, yes.

DAVID ASBURY: Okay. And they're not been shown as being in escrow in this exhibit.

ANITA DUTY: Well, I think we have the same situation where there's an agreement and we've put them on the EE even though.

DAVID ASBURY: We don't have an EE?

ANITA DUTY: Oh, because of CNX on both sides that's why. CNX coal is CNX Oil and Gas now. We need to do some kind of exhibit to show that.

DAVID ASBURY: John W. Street for Tract 2?

ANITA DUTY: Tract 2 is broken down into 2 and 2A. The only difference is we didn't buy the surface on the second tract. It's still the same acreage.

SHARON PIGEON: Is it still in escrow?

ANITA DUTY: Yes. We need to fix it, right.

SHARON PIGEON; But it's not on our latest---

ANITA DUTY: Right. I agree that I need to fix the exhibit, yes. But it is still in escrow.

MARK SWARTZ: And what's the deal on 14?

DAVID ASBURY: In Tract 14, I'm sorry?

MARY QUILLEN: There is no Tract 2. It was listed as Tract 2?

DAVID ASBURY: That's what they are saying. Tract 2 needs to be added to the exhibit for escrow and Tract 14 needs to be added to the exhibit from the original (inaudible).

MARK SWARTZ: What Anita is saying though, since this was originally pooled and now CNX has acquired all interests in Tract 2 and 2A. So, we need to petition the Board to allow us to withdraw those funds because there's no longer a conflict. But there's money in escrow. And at least for an interim basis what David is saying we need to continue to show 2 in escrow because there's money there even though the conflicts were resolved.

DAVID ASBURY: Correct.

MARK SWARTZ: Has everybody...have I restated that correctly, Anita?

ANITA DUTY: Yes. We need to revise the exhibit.

MARK SWARTZ: Now, what do we do in response to David's question with regard to Tract 14?

ANITA DUTY: It looks like 14 was missing off the exhibit also. So, we'll fix that.

MARK SWARTZ: And it's at a situation where CNX is

acquired...has cured the conflict and needs to remain in escrow. It just needs to be added?

ANITA DUTY: Yes.

DAVID ASBURY: Ms. Quillen, did we get your question answered?

MARY QUILLEN: Yes. So, are we going to get a revised exhibit E?

MARK SWARTZ: Yes.

MARY QUILLEN: For the Tract 2, correct?

MARK SWARTZ: And 14.

BRUCE PRATHER: And 14.

MARK SWARTZ: We're going to add them both. 14 will stay and eventually we'll be back to get a disbursement on 2 but yes, we're going to add both.

SHARON PIGEON: 14 that we have on Exhibit E now is wrong, is that what I'm understanding, at the bottom of page 4?

MARK SWARTZ: Oh, wait a minute. We've got it David.

DAVID ASBURY: 14 is okay.

MARK SWARTZ: Okay. I'm sorry, I guess, 14 is good. So, the only thing we need to add, I was just taking your word for it.

MARY QUILLEN: So, it's just Tract 2?

MARK SWARTZ: It's just Tract 2. That we'll show up on the new Exhibit E, correct. That's all I have.

BUTCH LAMBERT: Do I have a motion or any further discussion before we move for a motion? Do I have a motion?

MARY QUILLEN: Motion to approve pending a receipt of the revised exhibit E showing a listing for Tract 2.

BILL HARRIS: Second.

BUTCH LAMBERT: I have a motion and a second. But before I call for a vote on the handout, do we need an exhibit number?

SHARON PIGEON: AA?

ANITA DUTY: That's not our handout.

BUTCH LAMBERT: It came with our package.

DAVID ASBURY: Is it number 10?

BUTCH LAMBERT: Yes.

DAVID ASBURY: That was our staff's exhibit to the---

BUTCH LAMBERT: Maybe in the future you'll want to identify this.

SHARON PIGEON: Are you going to give us any information or---

ANITA DUTY: Who double checks these?

BUTCH LAMBERT: Okay, in the future if you include items could you just designate that it came from staff?

SHARON PIGEON: DGO Exhibit A, how's that?

DAVID ASBURY: AA.

SHARON PIGEON: AA, yes, I'm sorry.

BUTCH LAMBERT: Now, is there anything in here that we need to discuss?

DAVID ASBURY: This just reflects for the Board the changes from the original pooling.

BUTCH LAMBERT: Mr. Swartz and Ms. Duty, do you all have it?

MARK SWARTZ: No, we never get anything.

ANITA DUTY: I did.

BUTCH LAMBERT: Okay. Before he went over it, I wanted to make sure you knew what he was talking about.

MARK SWARTZ: Well, I don't because my client never tells me anything.

DAVID ASBURY: There was communication in between staff and CNX on this docket item describing what we had in file from the original supplemental and pooling order and how things changed to this one. And this, again, was the acreage in escrow question that is highlighted with you in yellow and how the differences was. This was the staff's analysis hoping to assist the Board in reviewing the pooling order.

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

further discussion?

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no?

KATIE DYE: Abstain.

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

MARK SWARTZ: Thank you.

BUTCH LAMBERT: Next item on the docket is item number eleven. A petition from CNX Gas Company for creation of a provisional drilling unit and pooling of horizontal conventional gas unit G80SH, docket number VGOB-10-0420-2690. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: Let me get Mr. Arrington sworn and we'll proceed.

(Leslie K. Arrington is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Swartz.

ANITA DUTY

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. Who do you work for?

A. CNX Land Resources.

Q. Did you draft or supervise the drafting of notice of hearing, the exhibits to that notice, the application and the exhibits to the application with regard to this petition to create a provisional drilling unit and pool it?

A. Yes.

Q. Did you mail the respondents or did you provide notice to the respondents that there would be a hearing today?

A. I did.

Q. And how did you notify them?

A. Mailed by certified mail return receipt requested on March 19, 2010 and published in the Bluefield Daily Telegraph on March 30, 2010.

Q. And have you already provided Mr. Asbury with copies of the proof of publication and certificates of mailing or are you about to do that?

A. I did.

Q. Do you want to add any respondents today to the list?

A. No.

Q. Do you want to dismiss any?

A. No.

Q. This is a conventional well, correct?

A. Yes.

Q. So, there would be no escrow requirements?

A. That's correct.

Q. It's simply you're seeking to pool some interests in this unit but then they would receive the money if the pooling application was granted?

A. Yes.

Q. You call this G80SH horizontal unit, is that correct?

A. Yes.

Q. And you've provided the Board with a Exhibit B-3, which lists the respondents and list their acres in the unit and their percentage in the unit, is that correct?

A. Yes.

Q. And when you published in the paper the exhibit A1 map that shows the highlighted portions of the

Oakwood grid was published in the paper as well, correct?

A. Yes.

Q. And you have a plat that's attached as Exhibit A which shows, and Mr. Arrington will talk about that, but shows the location of this well underground, correct?

A. Yes. It's actually Nora.

Q. Nora, okay. And with regard...there's a couple of things with regard to the application. You have indicated in the application the amount of acreage that we are talking about, correct?

A. Yes.

Q. And that is how many acres?

A. 232.67 acres.

Q. And you've provided Virginia State plain coordinates for the boundaries of the unit you're proposing to create, is that correct?

A. Yes.

Q. And do you have any permits for these wells as yet or for this well?

A. No.

MARK SWARTZ: I think that's all I have of Ms. Duty.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Swartz.

LESLIE K. ARRINGTON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Leslie K. Arrington.

Q. Who do you work for?

A. Consol Energy.

Q. Have you in the course of...how long have you worked with Consol?

A. The difference of series or---?

Q. The collection of companies known as Consol.

A. 31 years.

Q. How long have you been involved in the oil and gas operations for Consol?

A. Since 1990.

Q. Is the conventional play that is reflected in this application to create this unit and then drill a

horizontal well, is that something that you're familiar with that you've worked on before?

A. Yes, it is.

Q. In how many states?

A. Five.

Q. Which states would that be?

A. Pennsylvania, West Virginia, Virginia, Tennessee and Kentucky.

Q. And what we're proposing here is to create a unit out of four grid units, correct?

A. Yes. Four Nora units.

Q. And the map, the second page of your handout today, shows the location of the proposed well within the unit you're proposing to create, is that correct?

A. It does.

Q. Where would the well bore be located?

A. It's located in the northwest section of the unit.

Q. It's where the line that runs southeast in the unit begins. It actually looks like its right on the boundary of these.

A. It is.

Q. And that would be the well bore access, correct?

A. It would be.

Q. And what seam is it or what production horizon are you seeking to produce?

A. It's in the Devonian Shale that's commonly known as the Lower Huron.

Q. And roughly, how deep is that below the surface?

A. 4,000 feet, I believe.

Q. And the well then, I assume, makes some kind of turn to intersect the production horizon?

A. Yes.

Q. Have you provided a diagram or a schematic to the Board to show them that?

A. Yes, we have. There's two diagrams in there.

Q. Let's look at the second one, the more detailed one. Typical exploration horizontal design and this shows the well bore making a turn, correct?

A. It does.

Q. And what is the proposed length of the bore after it makes the turn here?

A. It's somewhere in the neighborhood of 2500 to 2700 feet.

Q. Have you indicated on the well plat that

you provided with the application the points between, which you anticipate the well will produce?

A. Yes, we have. It's shown.

Q. Okay. So, if the Board were to look at Exhibit A, the well plat, the horizontal leg is shown from the well bore proceeding southeast into the unit and then there are two black dots?

A. Yes.

Q. And you've given Virginia State plain coordinates both of those dots?

A. We have.

Q. And is it true then that production would occur from the well bore between the black dots?

A. Yes.

Q. As opposed to between the well bore and the first black dot?

A. That's correct.

Q. Would there be casing there at that location?

A. It should be.

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

A. We have.

Q. And that's part of the application, isn't

it?

A. Yes, it is. It's \$1,853,560.14.

Q. And does that include a substantial sum for frac?

A. It does.

Q. Have you drilled this kind of a well in Virginia before?

A. No, we haven't.

Q. We've been here on several---?

A. We have.

Q. ---but we haven't drilled them yet?

A. That's correct.

Q. Have you drilled them in other states?

A. We have.

Q. With regard to the reserve estimates then, you've provided the Board in the application and also in an exhibit here. I think we may have seen this before. But you've given some indication of what you expect the reserves might be?

A. We have.

Q. And what would the range be?

A. .3 to 1 bcf.

Q. And what is the basis for those estimates? I mean, where does this data come from?

A. Coming from other vertical wells that we've drilled and then just bringing that back to the thickness we expect (inaudible).

Q. And creating a range of production?

A. Yes.

Q. With regard to the interest that you've been able to acquire here, let's go to A, it looks like you've been able to acquire everything except 1.7471% of the interest in this proposed well, is that correct?

A. That's what the exhibit shows.

Q. As far as you know that's correct?

A. Yes.

ANITA DUTY

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SWARTZ:

Q. Anita, is that correct?

A. Yes.

LESLIE K. ARRINGTON

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SWARTZ:

Q. What have been the lease terms, Anita or Les whoever is more comfortable with this, that you have

offered and paid to folks that you've been able to reach agreements with regard to the conventional gas that we're talking about here?

A. I think that's Anita.

Q. She's telling me she doesn't know. You probably need to step up here Les.

A. I would assume, now in this area, we're still doing a one-eighth production royalty with five dollars per acre per year with a five year pay up term.

Q. Les, the other exhibit that you've given the Board, just so that we comment on it, is that simply to locate this unit in relation to the last unit that we---?

A. I apologize for the plainness of the exhibit. I just thought about producing this this morning and had forgotten to generate it. But what you'll see up in the northwest section is the proposed unit doesn't have anything other than some gray highlighting. And you'll see, you can kind of tell the difference between the Nora field and the Oakwood field. You can see the difference in the units. Just to kind of give you an idea that we've...also down in the Nora field you'll see where we've already had one unit approved in the Oakwood field, I'm sorry. So, this is just kind of a general exhibit.

Q. And with regard to provisional units, are

you requesting that the Board not stay further development in the Nora simply because there's been a provisional unit?

A. Absolutely, we are.

MARK SWARTZ: That's all I have.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Can we mark these exhibits AA and BB?

MARK SWARTZ: Yes, that will be great.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Mr. Arrington, do you know...I heard you say that this is not the first one, but you have...we have already approved others and you haven't drilled any yet?

LES ARRINGTON: We have not.

BUTCH LAMBERT: When do you propose to begin drilling those?

LES ARRINGTON: This year.

BUTCH LAMBERT: All right. Thank you.

BILL HARRIS: Mr. Chairman, let me just ask a question about reserves. How is that determined in a horizontal unit like this? How do you determine that?

LES ARRINGTON: While they're using...based on the

way we've been doing it here we're just using thickness and the length of leg and they'll calculate a reserve amount.

BILL HARRIS: Based on how far out the...okay.

BRUCE PRATHER: Mr. Chairman, I've got a question.

BUTCH LAMBERT: Mr. Prather?

BRUCE PRATHER: On your reserve estimate here, I've looked at a lot of Lower Huron decline curves and the ones I always looked at are hyperbolic. They're not...what you're showing here is what would be a typical for a coalbed methane well.

LES ARRINGTON: Well, I didn't generate the curve so.

MARK SWARTZ: Well, this is not a decline curve. This is a bell curve of estimated reserves which is different. So, it wouldn't look like a decline curve.

BRUCE PRATHER: Well, the only thing I'll say is if you're going to put the dates on there...you haven't gotten any dates on there, do you?

MARK SWARTZ: Well, it's not a decline curve.

BRUCE PRATHER: Well, okay.

MARK SWARTZ: It's a range of estimated results of wells in a bell curve. So, it would not look like what...what you're talking about would look different.

BRUCE PRATHER: Yeah.

MARK SWARTZ: Yes.

BRUCE PRATHER: Absolutely.

MARK SWARTZ: It's not that chart.

BRUCE PRATHER: I did notice that it didn't have dates. Okay.

BUTCH LAMBERT: Anything further, Mr. Swartz?

MARK SWARTZ: No.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

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

(No audible response.)

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

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

BUTCH LAMBERT: Opposed, no.

KATIE DYE: I'll abstain.

BUTCH LAMBERT: One abstention, Mrs. Dye. Thank you, Mr. Swartz, approved. Now, ladies and gentlemen, at this time we're going to take a break at lunch. We'll resume a quarter after 1:00.

(Lunch break.)

BUTCH LAMBERT: Ladies and gentlemen, it's time to

get started back. The next item on the docket is item number nine. A petition from Range Resources-Pine Mountain, Inc for a well location exception for proposed well V-530217, docket number VGOB-10-0316-2688. All parties who wish to testify, please come forward.

JIM KAISER: Mr. Chairman, I have conferred with Range and Mr. Tim Scott who represents them on that particular item. And they have agreed to let me do these 1, 2, 3, 4, 5, 6 items for EQT Production and would ask that item number 9 be moved in between, I guess, what is now 17 and 18. I've got the old docket that didn't have Steve Walz on there as number two. Are you with me?

BUTCH LAMBERT: No.

JIM KAISER: I'm going to do twelve through seventeen and then theirs will become---

MARY QUILLEN: Nine will be proceeding seventeen.

JIM KAISER: What now will be eighteen, I guess.

BRUCE PRATHER: So, you're going to start on eleven.

JIM KAISER: Well, I guess it's twelve.

BUTCH LAMBERT: Well, we're going to move nine down to between seventeen and eighteen. Okay, so that item will be moved to later in the docket. So, we're calling item number twelve. A petition from EQT Production Company for

pooling of coalbed methane unit VC-504069, docket number VGOB-10-0420-2691. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Board members, that will be Jim Kaiser and Jon York and Josh Doke on behalf of EQT Production. I'd ask that they be sworn at this time.

(Jonathan York and Josh Doke are duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JIM KAISER: We'll begin with Mr. York.

JONATHAN YORK

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Jonathan York. I'm employed by EQT Production Company as a land man.

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

A. Yes.

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

well number VC-504069, which is dated March 19, 2010?

A. Yes.

Q. Now, does EQT own drilling rights in the unit involved here?

A. It does.

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

A. Yes.

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

A. 99.624375%.

Q. And the coal estate?

A. 90.592375%.

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

A. Yes, they are.

Q. Are you familiar with drilling rights of parties other than EQT underlying this unit?

A. Yes.

Q. So, the what percentage of the gas estate remains unleased that we are pooling?

A. .375625%

Q. And the coal estate?

A. 9.407625%.

Q. Now, we do have some unknowns and unlocateables in this unit, is that correct?

A. Yes, we do.

Q. It's a Bobby and a Mark Rosetti?

A. Correct. Okay. And were reasonable and diligent efforts made and sources checked to identify and locate these unknown respondents?

A. Yes, they were.

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

A. Yes, they are.

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

A. Yes.

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

A. Yes.

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

A. Twenty-five dollars per acre, paid up five years, and a one-eighth royalty.

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

A. Yes.

Q. Now, based on your testimony, do you recommend that the respondents listed at B-3 who remain unleased be allowed following options with respect to her ownership interest within this unit: 1) Direct participation; 2) a cash bonus of twenty-five dollars per net mineral acre plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his or her interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to his or her 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. That's correct.

Q. Do you recommend that the order provide
that elections by 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. That's right.

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

A. Yes.

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

A. Yes.

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

A. That's correct.

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 the force pooling order?

A. Yes.

Q. Do you recommend that if a respondent elects to participate, but fails to pay their proportionate share of well costs then that election should be withdrawn and void and the respondent should be treated as if no initial election had been filed under the force pooling order?

A. Yes.

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

A. That's correct.

Q. Okay. In this particular unit, the Board does need to establish an escrow account and that would be for all proceeds attributable to Tracts 1, 5, 6 and 8, is that correct?

A. Correct.

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

A. EQT Production Company.

JIM KAISER: Nothing further of this witness at this time, Mr. Chairman. Well, wait a minute, I do have one more question.

Q. Is...this well is outside the window, is that correct?

A. Yes, it is.

Q. And then that matter will be handled in the permitting process with Mr. Asbury's office?

A. Correct.

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

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: You said Tracts 1, 5, 6 and 8. We don't show an 8.

JONATHAN YORK: It should be 1, 5 and 6.

JIM KAISER: I show an 8. I'm sorry, it should be 1, 5 and 6.

MARY QUILLEN: Thank you.

SHARON PIGEON: Does Mr. York agree with that?

JONATHAN YORK: Yes, I do. That's what I have in

front of me. I just double checked it.

SHARON PIGEON: Don't rely on him when you're testifying.

BUTCH LAMBERT: Yeah, you've got...you've got to---

SHARON PIGEON: It's you that's got to answer the question.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

JOSHUA DOKE

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Joshua Doke, EQT Production, Development Engineer.

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

A. 2,255 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 to the application?

A. Yes.

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

A. Yes.

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

A. Dryhole costs \$145,937 and completed well costs \$330,760.

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?

MARY QUILLEN: I have just one question. Should this be Exhibit AA?

JIM KAISER: What have we been doing with those? Are we making AA? AA is fine.

BUTCH LAMBERT: Any further 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, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS AND BRUCE PRATHER: Second.

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

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item is item thirteen. A petition from EQT Production Company for pooling of coalbed methane unit VCI-531502, docket number VGOB-10-0420-2692. All parties wishing to testify, please come forward.

JIM KAISER: Jim Kaiser, Jon York and Josh Doke for EQT Production Company.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JONATHAN YORK

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

Q. Okay. Are you familiar with the application that we filed seeking to pool any unleased interest in this unit, which was dated March the 19th, 2010?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. We are on 1502, right?

Q. Yeah.

A. 99.192731.

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

A. 100%.

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

A. Yes.

Q. So, what remains unleased is .807269% of the gas estate?

A. Correct.

Q. We've identified all respondents. There are no unknowns, is that correct?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Twenty-five dollars per acre paid up five years and one-eighth royalty.

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

A. Yes.

JIM KAISER: At this time, Mr. Chairman, I'd like to incorporate testimony regarding the statutory election options afforded any unleased parties, which was first heard in item 2691.

BUTCH LAMBERT: Accepted.

JIM KAISER: Thank you.

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

A. Yes, they do.

Q. And that would be for proceeds attributable

to Tract 3?

A. Yeah, a portion of Tract 3.

Q. A portion of Tract 3. And there's also a royalty split agreement between some of the owners?

A. Yes.

Q. And that's reflected in the Exhibit EE?

A. Yes.

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

A. EQT Production Company.

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

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Mr. Chairman.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: Again, Exhibit AA?

JIM KAISER: Exhibit AA.

BUTCH LAMBERT: You may continue, Mr. Kaiser.

JOSHUA DOKE

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. 3,178 feet.

Q. Estimated reserves over the life of the unit?

A. 250 million cubic feet.

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

A. Yes.

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

A. Yes.

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

A. The dryhole costs \$150,208 and completed well costs \$382,403.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

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

A. Yes.

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

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 those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

JIM KAISER: Thank you.

BUTCH LAMBERT: The item on the docket is item fourteen. A petition from EQT Production Company for

repooling of coalbed methane unit VCI-531501, docket number VGOB-10-0420-2693. All parties wishing to testify, please come forward.

JIM KAISER: Jim Kaiser, Jon York and Josh Doke. Did you say repooling.

BUTCH LAMBERT: Yeah. I think that's what the application showed.

JIM KAISER: It should just be a pooling. The next one is a repooling.

BRUCE PRATHER: Mine just says pooling.

MARY QUILLEN: Ours says...the agenda says pooling.

BUTCH LAMBERT: Which is it, Mr. Asbury.

DIANE DAVIS: Which one are we doing?

JIM KAISER: Number fourteen.

BUTCH LAMBERT: Item fourteen.

JIM KAISER: 531501.

DAVID ASBURY: 2326.

BUTCH LAMBERT: 2693.

DIANE DAVIS: Fifteen is repooling. Fourteen is pooling.

DAVID ASBURY: We just did 2692. So, we're on 2693.

BUTCH LAMBERT: Yes.

JIM KAISER: Correct.

DIANE DAVIS: And that's pooling.

DAVID ASBURY: That's a pooling.

JIM KAISER: Pooling.

BUTCH LAMBERT: Okay.

DIANE DAVIS: The next one is repooling.

BUTCH LAMBERT: I make that correction. It's a pooling of this unit 531501.

JIM KAISER: Thank you. Again, Jim Kaiser, Jonathan York and Jose Doke. We'll start with Mr. York.

JONATHAN YORK

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Do your responsibilities include the unit here and in the surrounding area?

A. Yes.

Q. Are you familiar with the application that we filed seeking to pool any unleased interest in VCI-531501?

A. Yes.

Q. Does EQT 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 and an attempt made to work out a voluntary lease agreement with each?

A. Yes, they were.

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

A. 90.397639.

Q. And under lease to the coal estate?

A. 100%.

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

A. Yes.

Q. So, what remains unleased is 9.602361% of the gas estate?

A. Yes.

Q. And there are some unknowns in the units?

A. Yes, there are.

Q. Were reasonable and diligent efforts made and sources checked to identify and locate these unknowns?

A. Yes.

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

A. Yes, it was.

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

A. Yes.

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

A. Yes.

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

A. Twenty-five dollars per acre paid up five years and one-eighth royalty.

Q. In your opinion, do the terms that you 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: Again, Mr. Chairman, we'd ask that the testimony regarding the statutory election options afforded any unleased parties first taken in item 2691 be incorporated for purposes of this hearing.

BUTCH LAMBERT: Accepted.

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

A. Yes.

Q. And what proceeds from which tract should be included?

A. Portions of 1, 4 and 6.

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

A. EQT Production Company.

JIM KAISER: Nothing further of this witness at this time. Well, wait a minute.

Q. This window is also outside the interior window...this well is also outside the interior window?

A. Yes.

Q. And that will be handled or has been handled in the permit application process with Mr. Asbury and the DGO?

A. Yes.

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

BUTCH LAMBERT: Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

JOSHUA DOKE

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. 2,944 feet.

Q. Estimated reserves over the life of the unit?

A. 250 million cubic feet.

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

A. Yes.

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

A. Yes.

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

A. Dryhole costs \$138,770 and completed well costs \$359,077.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes.

Q. In your professional opinion, would the

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

A. Yes.

JIM KAISER: Nothing further of this witness at this time, 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 those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

JIM KAISER: Thank you.

BUTCH LAMBERT: The item on the docket is item fifteen, a petition from EQT Production Company for

repooling of coalbed methane unit VC-537057, docket number VGOB-08-0916-2326-01. All parties wishing to testify, please come forward.

JIM KAISER: Jim Kaiser, Jon York and Josh Doke for EQT Production.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JONATHAN YORK

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. York, we are here...we originally pooled this in September of 2008. Could you explain to the Board why we're back here today repooling it?

A. What had happened, it was brought to our attention that the exhibit that we used in 2008, the percentages were incorrect. They didn't match up with the plat that was included in the 2008 application. What had happened was we had a plat from the surveyors. We made the exhibit based on that...those percentages. The plat was subsequently updated, but our exhibits were not. So, when we submitted the application, we had an incorrect exhibit, but the correct plat. The percentages did not correspond in the 2008 application. That was brought to our attention and that's why we're here today to correct that.

Q. And would it be your notice that we have...your testimony that we have renoticed all of the parties?

A. Yes.

Q. And does...are you familiar with the application that we filed seeking to repool this unit?

A. Yes.

Q. Does Equitable own drilling rights in this unit?

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. And what is the percentage under lease to Equitable within the gas estate?

A. 0%.

Q. And what is the interest under lease to EQT in the coal estate?

A. 44.47%.

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

A. Yes.

Q. So, a 100% of the gas estate remains unleased and 55.53% of the coal estate remains unleased?

A. Yes.

Q. And there, obviously, some unknown and unlocateables in this unit?

A. Yes, Tract 1, Gally Friend.

Q. Okay. And were reasonable and diligent efforts made and sources checked to identify and locate any unknown heirs?

A. Yes.

Q. In your professional opinion, was due diligence exercised to locate the people named in Exhibit B to the application?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Advise the Board as to what those are?

A. Twenty-five dollars per acre paid up five

years, one-eighth royalty.

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

A. Yes.

JIM KAISER: Mr. Chairman, again, we would request that the statutory election options afforded any unleased parties and the testimony pursuant to those options that was first taken in item 2691 be incorporated for purposes of this hearing.

BUTCH LAMBERT: Accepted.

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

A. Yes, Tract 1.

Q. Tract 1. And is this well outside the window? I guess it has already been drilled, ain't it?

A. Yes...yeah.

Q. I guess that's irrelevant since...they must have gotten approval because it has already been drilled.

(Laughs.)

BUTCH LAMBERT: Can we take it back?

JIM KAISER: Strike that.

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

A. EQT Production Company.

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

BUTCH LAMBERT: Mr. York, you testified that due diligence was done to locate the estate of Yellow Popular. Did you personally do that?

JONATHAN YORK: No, I did not.

BUTCH LAMBERT: Are you relying on documents that was created in the past?

JONATHAN YORK: Yes, we're relying on work that has been done by other land agents for...on behalf of EQT.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

JOSH DOKE

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Doke, what is the total depth of this proposed well?

A. 2,153 feet.

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

A. 200 million cubic feet.

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

A. Yes.

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

A. Yes.

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

A. The dry hole costs \$158,677 and the completed well costs \$416,490.

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?

MARY QUILLEN: Just one comment. On Exhibit B, page two of seven, at the top of the page in the gas...total gas estate it has total of coal estate instead of gas estate.

JIM KAISER: I see that. It's a typo. We'll revise that and get that to you.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: No, sir. We'd ask that the application be approved with the addition of the corrected Exhibit B.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve pending receipt of the revised Exhibit B.

BRUCE PRATHER: Second.

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

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

JIM KAISER: Thank you. Mr. Chairman, I think that we can...to sort of help with Mr. Doke's testimony, if go ahead and call sixteen and seventeen together.

BUTCH LAMBERT: Okay. Calling item sixteen, a petition from EQT Production Company for modification of the Nora Coalbed Gas Field Rules to allow on additional coalbed gas well to be drilled within the 58.77 acre unit identified as BJ-50, docket number VGOB-89-0126-0009-63. Also calling item seventeen, a petition from EQT Production for the modification of the Nora Coalbed Gas Field Rules to allow one additional coalbed gas well to be drilled within the 58.77 acre unit identified as BF-59, BF-60, BF-61, BH-59, BH-60, BH-61, BG-59, BG-60 and BG-61, docket number VGOB-89-0126-0009-64. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser, Jon York and Josh Doke, again, for EQT Production.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JIM KAISER: We'll call Mr. York first.

JONATHAN YORK

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. York, do your responsibilities include any of the leasing or notice and land functions for the increased density applications?

A. Yes.

Q. And has everybody as required by 361.19 been notified, that being all oil, gas and coal owners?

A. Yes, they have.

Q. And in our first item, which I guess is sixteen, BJ-50, was that...that's just Range Resources, they're the only owner?

A. Correct.

Q. And in the second application, there were four parties that had to be notified, the Columbus Phipps Foundation, Carol Buchanan, Hugely Bentley Revokable Living Trust and John Greever Revocable Trust?

A. Yes.

Q. And would it be your testimony that we've received green cards back from all four of those parties?

A. Yes, we have.

Q. So, we have notice...give notice on both...on all of the units that we're seeking an increased density well in?

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: You may continue.

JOSH DOKE

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Doke, you previously testified before the Gas and Oil Board as to the efficiency or the gains that EQT Production has been able to realize by drilling increased density wells in these coalbed units and you are directly involved in this increased density program, is that correct?

A. Yes.

Q. Could you...and you have prepared a package of information sort of illustrating the reason why Equitable wants to continue this increased density drilling and sort of giving some of the results as to what has occurred so far. So, if you would go through your prepared exhibit page by page and then take questions, I guess.

A. Okay. In front of the Exhibit AA, represents the infill program to-date. We stopped the data at 2009. There will be a few wells drilled in 2010 with a couple spud already, but we have no production yet. So, that's not highlighted on this chart here. But to show so far, we've spudded 163 infill or increased density wells and it has resulted in production of 8.9 million cubic feet a day.

Exhibit BB on the following chart shows the current production of the increased density wells in the red. As you can see, it's increased over time due to the new drilling. While the flat rate line on the bottom shows the production from the original wells within that grid. So, what we've seen so far is that even with the new drilling of the wells we have had little effect on the original wells with a good increased production from the new increased density wells.

Exhibit CC is kind of a zoom out of the Nora Field with the grids that we're looking at approving today highlighted in green.

Exhibit DD highlights those wells a little closer to show where they relate to the field.

Q. So, based upon your experience and the results that the company has seen with increased density

drilling to-date, would it be your testimony that this is a program that EQT Production wishes to continue and feels that it is a good capital expenditure on our part?

A. Yes.

Q. Because of the incremental...the increased incremental production that you get from the second well?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: Mr. Chairman, I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: On these wells, Range Resources drilled the original wells, is that what you're saying, and that you're drilling the second well on Range Resources units?

JOSH DOKE: Not necessarily.

JIM KAISER: No.

JOSH DOKE: We've probably drilled the original well also.

JIM KAISER: I'm sure you did. Range Resources is the coal, oil and gas owner on...in one of the units by themselves.

BRUCE PRATHER: Oh, okay. It's not all...not all

of these, the old wells and not Range and you're drilling new wells on---?

JIM KAISER: No, no, no. They're all...all of the old wells are Equitable wells.

BRUCE PRATHER: Okay. Okay.

JIM KAISER: Range was just the party that we notified as the oil, gas and coal owner.

BRUCE PRATHER: Okay.

JIM KAISER: I'm sorry, I probably confused you on that.

BUTCH LAMBERT: Other questions?

MARY QUILLEN: Mr. Chairman.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: I have just one additional question. On Exhibit AA, the increased density, is this one additional well in each one of these?

JOSH DOKE: Yes.

MARY QUILLEN: Okay.

BILL HARRIS: Let me just further---.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: So, are we talking about double 163 then or is 163...I mean, that says number of wells drilled.

JOSH DOKE: That's the number of wells...increased density wells drilled to-date in the EQT program.

BILL HARRIS: Okay. So, they're not two up...I mean, that would be an even number? I'm being picky, I guess. But---

JIM KAISER: It would be 326 wells in those 163 units.

JOSH DOKE: Yeah. Yes.

BILL HARRIS: That's...that's the question that I had. Okay.

MARY QUILLEN: I was going to ask the same thing because you've got an uneven number. So, you couldn't have two wells in each---

BILL HARRIS: Yeah.

BRUCE PRATHER: But they're not all necessarily in the area. In other words---

JIM KAISER: No. They're---

BRUCE PRATHER: ---he's spread out all over the---

JIM KAISER: --reflected on the DD and---

BRUCE PRATHER: Yeah. Yeah. Yeah.

MARY QUILLEN: Uh-huh.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the applications be

approved as submitted, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion on both docket items sixteen and seventeen?

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 those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. Both are approved.

JIM KAISER: I think Tim is going to do one and then I'm going to come back.

BUTCH LAMBERT: How nice of you?

(Exhibits are passed out.)

(Off record discussion.)

BUTCH LAMBERT: Calling docket item number nine. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530217, docket number VGOB-10-0316-2688. All parties wishing to testify, please

come forward.

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

(Gus Jansen and Phil Horn are duly sworn.)

TIM SCOTT: Mr. Chairman, before we get started, when this application was filed for the March hearing when I was reviewing the plat I actually inadvertently used a unit tract as a drill site tract and I've renoticed all of the parties respondent. But I did not bring that document to all. So, that's what I just passed out. Mr. Horn will testified they actually received it. When then filed a second revised application because we had a new well that was depicted on the plat. Again, to which Mr. Horn will testify. So, that's the reason you've got an application...a revised application and a second revised application. Originally, you just had a second revised application. So, you were saying where is the revised application. So, now you have it.

BUTCH LAMBERT: Right. Exactly.

PHIL HORN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn. I'm employed by Range Resources-Pine Mountain, Inc. as land manager. One of my job descriptions is to get wells permitted and drilled.

Q. And you're familiar with this application?

A. Yes, I am.

Q. And we have provided the Board with a revised application and a second revised application, is that right?

A. That's correct.

Q. And, again, would you please tell the Board why we did that?

A. The first application inadvertently had one of unit tract designated as the drill site tract. We corrected that. Then before we came last month, we realized that we had inadvertently left off 23923 well to the north. So, we went ahead and added that to the application for this revised...revised application, I guess.

Q. So, then we've resubmitted for this hearing, is that correct?

A. Yes.

Q. Are you familiar with the ownership of the oil and gas for this tract?

A. Yes, I am.

Q. And we have no correlative rights issues, is that right?

A. That's correct.

Q. All of the parties who should have been noticed, have they been...were they noticed?

A. Yes, they were.

Q. So, they've received three certified mailings, is that correct?

A. That's correct.

Q. And we've provided the proof of that mailing to the Board, is that right?

A. That's correct.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you.

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, please state 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're familiar with this application?

A. Yes, I am.

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

A. Yes, I handed out an Exhibit AA to the Board. The primary reason for the exception today is for topographic reasons. We've spotted this well 530217 in an area just outside of the steepled area that is represented as a surface mine area, which is now being used by the land owner as a pasture area for his farming operations. At his request, we moved the well on down off of those areas to the best suitable location we could to actually drill the well at this point.

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

A. 5,763 feet.

Q. And what are the estimated loss of reserves if this application is not granted today?

A. 350 million cubic feet of gas.

Q. So, in your opinion, we've already discussed with Mr....Mr. Horn has testified that we don't have correlative rights issues, is that right?

A. That's correct.

Q. But if this application is granted, then it would be...it would promote conservation and prevent waste, 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 those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

TIM SCOTT: Thank you very much. Any more you want to do right quick?

SHARON PIGEON: You're at the table.

PHIL HORN: He's got...Jim has got the next three or four and then Tim had the last ones.

BUTCH LAMBERT: Do you want to jump to that one right quick?

TIM SCOTT: Yeah, we'll do it.

BUTCH LAMBERT: Is that twenty-five...item twenty-five?

GUS JANSEN: He's going to do twenty-three.

PHIL HORN: Twenty-three.

GUS JANSEN: Twenty-three, yeah.

BUTCH LAMBERT: Twenty-three, okay. We'll show him for leaving, won't we?

SHARON PIGEON: You get out of line, you lose your place.

BUTCH LAMBERT: We're calling item twenty-three on the docket. A petition from Range Resources-Pine Mountain, Inc. for repooling of conventional horizontal unit VH-530185, docket number VGOB-09-0721-2564-01. All parties wishing to testify, please come forward.

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

(Off record discussion.)

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn. I'm employed by Range Resources-Pine Mountain, Inc. as manager of land. One of my job duties is to get wells permitted and drilled.

Q. Now, we...this was previously approved by the Board in July of 2009, is that correct?

A. That's correct.

Q. Why are we repooling today?

A. We've...doing our due diligence we found additional owners, some of whom leased and some of whom did not.

Q. So, we have people that we're going to dismiss today?

A. Yes.

Q. Can you please tell the Board who those people are?

A. Sheila and Robert Taylor, Mildred T. Slayers, Anita Mullins, Charlotte Perry and Pauline Mulinary.

Q. And those individ...those exhibits have been provided to the Board, right? The revised exhibits, you just passed those out?

A. Yes...yes, we have.

Q. Now, with regard to those individuals who you've not obtained leases from, have you attempted to reach an agreement with those individuals?

A. Yes, we have.

Q. As of today, what is the percentage of the unit that Range Resources has under lease?

A. 96.92804762%.

Q. Okay. And how was the notice of this hearing provided to the parties listed on Exhibit B?

A. By certified mail and also publication in the Dickenson Star on March 24, 2010.

Q. Okay. Now, in spite of your due diligence efforts, we still have some unknowns, is that right?

A. That's correct.

Q. Have you tried to locate those individuals?

A. Yes, we have.

Q. And what did you do to try to locate them?

A. Well, first of all, we've checked the records of Dickenson County, Virginia for wells or list of heirs. We've contacted the people on the ground...well, the lessors...the lessors that we could find, we asked them if they knew them. We checked out their...Victor Mulinary has a store out there close to this property and we asked him. Also, we got on the internet and tried to locate some of these people. You all probably don't remember, but what happened is these smaller tracts to the...in the southwestern part of the unit, Highway 83 came through here in the '70s and pretty much took these peoples' houses and it's our position that VDOT didn't get the oil and gas rights. So, we credited these people the oil and gas rights. A lot of them had moved away and left the area.

Q. Some of those individuals we found based on---?

A. Yes.

Q. ---the pleadings that were filed, right---?

A. Yes.

Q. ---in those condemnation proceedings?

A. Condemnation, yes.

Q. Okay. All right. Now, have you filed

proof of publication and proof of mailings with the Board?

A. Yes.

Q. Okay. And Range Resource is, of course, authorized to conduct business in the Commonwealth?

A. That's correct.

Q. You've got a blanket bond on file, is that right?

A. That's correct.

Q. Now, if you were to reach an agreement with these parties listed on Exhibit B-3, what would...what would be the terms that you would offer?

A. Twenty-five dollars per acre for a five year lease that provides for a one-eighth royalty. We make a one hundred dollar minimum payments and all of these people would be in a hundred dollar minimum payment because their interest is so small.

Q. Okay. Is that a reasonable compensation for a lease in this area?

A. In my opinion, yes.

Q. Okay. And what percentage of the oil and gas estate is Range Resources seeking to pool today?

A. 3.07195238%.

Q. Now, you testified just a minute ago that we had some unknowns, is that right?

A. That's correct.

Q. So, we have an escrow requirement?

A. That's correct.

Q. And would you please tell the Board which tracts are...would be subjected to escrow?

A. Tracts 11, 12, 16, 17, 18 and 20.

Q. And what's the total percentage?

A. 2.72 percent.

Q. So, you're then requesting the Board to pool those individuals listed on Exhibit B-3

A. That's correct.

Q. And also be named as operator of this unit, is that right?

A. That's correct.

Q. Now, if the Board grants our request today, our application, what would be the address for any elections that parties respondent would be given to make their elections?

A. Range Resources-Pine Mountain, Inc., P. O. Box 2136, Abingdon, Virginia 24212.

Q. Is that the addresses for all correspondence?

A. 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.

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. So, you also participated in the preparation of this application?

A. Yes, I did.

Q. Are you familiar with the total well depth?

A. Yes, it is.

Q. And what is that, please?

A. It's 8,785 feet.

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

A. 1 bcf.

Q. Are you also familiar with the well costs?

A. Yes, I am.

Q. What's the estimated dryhole cost?

A. Dryhole cost is \$732,450.

Q. And the completed well costs?

A. \$1,399,5...\$1,399,529.

Q. And you also assisted in the preparation of the AFE, is that right?

A. That is correct.

Q. And that was submitted with our application?

A. Yes, it is.

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

A. Yes, it does.

Q. And in your opinion, if this application is granted, it would be in the best interest of conservation, the prevention of waste and protection of correlative rights, is that correct?

A. Yes, it would.

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: Is this a VGO insert?

DAVID ASBURY: Yes, it is.

BUTCH LAMBERT: I have a motion and a second and no further discussion. All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's approved. The next item on the docket is item eighteen. A petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit RR-2694 consisting of 320 acres for the drilling of horizontal conventional gas wells, docket number VGOB-10-0420-2694. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser, Phil Horn and Gus Jansen for Range Resources-Pine Mountain. We'd ask at this time that you also call items nineteen and twenty. I think these three can be easily

combined.

BUTCH LAMBERT: Also calling item eighteen, a petition...or item nineteen, a petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit RR-2695 consisting of 320 acres for the drilling of horizontal conventional gas well, docket number VGOB-10-0420-2695. Also calling item twenty, a petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit RR-2696 consisting of 320 acres for the drilling of horizontal conventional gas well, docket number VGOB-10-0420-2696.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Phil Horn. I'm employed by Range Resources-Pine Mountain, Inc. as land manager.

Q. Okay. Let's start with the unit for 2694. There our notice requirement under 361.19 oil, gas and coal owners include Dickenson-Russell Coal Company, Alpha, WBRD, ACIN, LLC and EQT Production Company, is that correct?

A. That's correct.

Q. And we have received green cards back from all of those parties?

A. That's correct.

Q. And turning to unit 2695, we have the exact same parties and then the addition of a Carl J. Mullins?

A. That's correct.

Q. And we have all of the green cards back from those parties, correct?

A. That's correct.

Q. And then turning to unit 2696, we have all of the same parties through Mr. Carl Mullins, but also including Harry and Charlotte Roberts and Marlene Colley and Trevor Colley, is that correct?

A. That's correct.

Q. And we have we got the green cards back from all of those respondents?

A. That's correct.

Q. So, everyone in all three units has received notice and we have a return green card from them and they represent the oil, gas and coal owners in those three units, correct?

A. That's right.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. My name is Gus Jansen, employed by Range Resources-Pine Mountain, Inc. as manager of geology.

Q. And included in that management of geology would be the conventional horizontal drilling program?

A. That is correct.

Q. And you've testified before the Board on the establishment of these units on numerous occasions?

A. That is correct.

Q. And you've, again, prepared a package of information to...that illustrative of your testimony today?

A. That's correct.

Q. And could you begin with Exhibit AA and present that to the Board then?

A. Yes. If the Board will refer to the handout on Exhibit AA, you'll see the location of the three

proposed units indicated in the dash red boxes. Those would be the three new units that we're seeking today. These are offsetting existing units that we had approved here in the past by the Board and these new units will continue to facilitate our horizontal development drilling in the field. You can see that we have drilled one of the units to the offset of 2694. It was drilled in 2008. Two of the units offsetting the 2695 and 2696 units have also had drilling in those to-date.

Continue on to Exhibit BB, again, we've seen this several times as the standard size of the units that we typically seeking for provisional units of 320 acre square with the dimensions noted. That gives some options on being able to achieve a lateral. It gives the most opportunity for economic well development.

Exhibit CC, again, goes into a little more detail. The proposal on each of the...each of the variables assigned to each of the units. Again, the 320 acre square unit. We have provisions for a 300 foot interior window with a 600 foot standoff from our adjacent horizontal well bores producing from the same horizon. We have a provision for a 600 foot distance between any horizontal well bore and any vertical well bore within the same horizon. And this also allows for us to drill multiple wells and/or laterals for

the maximum drainage in all conventional reservoirs and be able to drill the surface location inside or outside the unit so long as our production is within the unit within the interior window.

Exhibit DD, again, is our typical horizontal well plan. In this particular example, we're representing a horizontal well into the horizontal...into the Lower Huron Shale or the Devonian Shale. Again, we have the same requirements for the casing program as required under vertical wells. We'll have a surface casing stream, which will serve as a water protection stream. We'll also have a seven inch coal protection stream. Then we'll have a four and a half inch production stream, which will be located within that horizontal formation target whether it will be the horizontal...be in the shale or in some other cases, which we have also drilled into the Big Lime or into the Berea. That would just vary to the total depth of the well and the location of where it would occur if we were targeting a different formation. Each of those items would be addressed through the permitting process with Mr. Asbury's office.

And, finally, Exhibit EE, the benefits of the horizontal drilling program, working interest owners, royalty owners and the county will benefit by maximizing the

production. The horizontal drilling will promote the conservation of gas and resource and prevent waste by more effectively extracting the resource. The horizontal laterals will allow us to drill other...into areas otherwise inaccessible from the surface. We end up with less potential impact on the coal. We have less potential surface disturbance and the square units allow us to have no stranded acreage associated with the production stream.

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

BUTCH LAMBERT: Questions from the Board?

BILL HARRIS: Mr. Chairman.

BUTCH LAMBERT: Mr. Harris.

BILL HARRIS: Could you maybe talk about the experience that you've had so far with these units that were drilled in 2008 in terms of production and what not.

GUS JANSEN: Yes, sir. Just briefly, the two units offsetting 2695 and 2696 are both Lower Huron and Devonian Shale shale wells. Those have met the production goals that we had set for the well drilling in these area. This appears to be a very productive area. In lieu of that, this is why we sought additional units in this area to be able to drill additional wells. The well to the south offsetting the 2694 is also in a relatively good area. It was also a

Lower Huron well. Again, we're wanting to continue to confirm the results we see by this well down here in this area. This is sort of the further extent to the south that we have had at this time point. Again, we'd like to continue to validate the results that we've seen so far.

BILL HARRIS: Let me just ask you about the results. We have seen in some cases the first month or two just a lot of production and then it tapers off and, I guess, this is probably true with a lot of things. Have you all seen something like that or is it...or is it still increasing or what type of, I guess, output are you producing?

GUS JANSEN: The production that we're seeing from our Lower Huron Shale wells is very similar to the type of production that you see in any conventional formation in the Nora area. We will...usually your production at the beginning of the well is the highest production and your production when we come...in the front-end of the well. You'll get a decline curve, which we've talked about and you've seen some of those in the past as the well producing over time. Hopefully, the well will settle in at a rate that over the first two to three years...again, we're only in at about three years of production for most of these wells now. We are seeing that leveling off in most of wells

at a reasonable level that will give us the life expectancy of the wells that we have been predicting at this point.

BILL HARRIS: So, where it is leveling off, it's still acceptable---?

GUS JANSEN: Yes.

BILL HARRIS: ---from an economic standpoint?

GUS JANSEN: Right. And we expect these wells to produce, you know, somewhere in the range in another thirty years and maybe even as long as fifty years for the total life of the wells being projected to get to our projected reserve base.

BILL HARRIS: Okay. Thank you.

BUTCH LAMBERT: Mr. Jansen, are you experiencing any problems with any of your wells in this horizontal drilling program or all of them being drilled as easily as we thought? I know Mr. Prather once raised a concern about maybe the hole collapsing and some other issues. Are you experiencing any of those difficulties?

GUS JANSEN: With any type of drilling, there's always risk associated with that and different formations are variable throughout the field. We have seen problems in some of the wells. In fact, we'll talk about one of those here later on today a little bit with some of the situations there. But, again, for the most part, I think we've been

very successful in being able to drill the wells to this point and to complete the wells as we have planned. But, again, there are always risk with any type of drilling vertical wells or CBM wells. Any type of drilling that has those type of...we do have known formations that can be viewed. Problems if the formations get wet. There are areas that we've identified through our experience that have formations that tend sluff in and can cause problems during drilling and those type of things.

BUTCH LAMBERT: Okay. If we're going to wait and talk about one later, I guess we'll get into that later. Thank you.

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---question for Gus. This most southern proposed well 2694 that's very, very close to the Wise County line. We have not, in my memory, and you can correct me if my memory is wrong, we have not seen anything...any of these wells in the area in Wise County or in this area. You had said this one that is now producing there. What are you finding? Is it still the same level as these in Dickenson County, these other wells that you all have...your production?

GUS JANSEN: Again, we have drilled wells in Wise

County.

MARY QUILLEN: Oh, the horizontal?

GUS JANSEN: Yes, ma'am.

MARY QUILLEN: Oh, okay.

GUS JANSEN: We have had units approved. This does not show all of the units, obviously, that we've had approved in the past here. This just shows the...a little bit clearer, if you try to many of the units on here.

MARY QUILLEN: Are the ones in Wise County adjacent to this Dickenson County?

GUS JANSEN: There are some that are north of here just generally speaking in this general area of the county here. There are some others that are partly Equitable/EQT has drilled even further to the West in Wise County.

MARY QUILLEN: Okay.

GUS JANSEN: It has been approved in the past and were drilled in, I think, in '08 also.

MARY QUILLEN: And they are producing?

GUS JANSEN: And they are producing and they are in productive areas too.

MARY QUILLEN: Okay. Very good. Thank you. Just for my own information.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion on items eighteen, nineteen and twenty?

MARY QUILLEN: Motion to approve---

BRUCE PRATHER: Second.

MARY QUILLEN: ---eighteen, nineteen and twenty.

BILL HARRIS: Actually, that's not the correct numbers. Didn't we back up a number?

BUTCH LAMBERT: No. We went nine. We backed up to number nine and completed that.

BILL HARRIS: So, those are correct then?

BUTCH LAMBERT: Yes, sir. Eighteen, nineteen and twenty. That is correct, isn't it?

BILL HARRIS: I missed something.

BUTCH LAMBERT: Okay. I'm getting a yes.

BILL HARRIS: I'm sorry. I just thought we were off one.

SHARON PIGEON: It is confusing.

BILL HARRIS: Okay.

BUTCH LAMBERT: So, I have a motion. Mr. Prather, did you second it?

BRUCE PRATHER: I seconded it.

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Kaiser. Those three will be approved. The next item on the docket is item twenty-one. A petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit RR-2697 consisting of 320 acres for the drilling of a horizontal gas well, docket number VGOB-10-0420-2697. All parties wishing to testify, please come forward.

JIM KAISER: Jim Kaiser, Phil Horn and Gus Jansen for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Horn, have we...have we been able to notify everyone as required under 361.19, that being all the oil, gas and coal owners underlying this unit?

A. That's correct.

Q. And we do have green cards back from all of them?

A. That's correct.

BUTCH LAMBERT: Nothing further of this witness at this time, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue.

JIM KAISER: Although, I may come back to him. I may have some questions after Mr. Jansen's. Now, on Mr. Jansen's testimony, I'd like to incorporate the testimony that he gave in the previous three hearings regarding the dimensions of the unit, the benefits of the horizontal drilling over vertical drilling and everything that was contained in that packet. Then, this is a little bit different application for us. He has prepared another packet and I think we'll begin with testimony as to why we are establishing a new unit here.

BUTCH LAMBERT: Okay. We'll accept that previous testimony.

JIM KAISER: Thank you.

GUS JANSEN: Again, if the Board will refer Exhibit AA, again, we'll show the new proposed unit that we're seeking today, the 2697 as outlined in the red, which is

adjacent to two previously approved units. We'd originally planned a well in the unit directly to the west, the 2188 unit. In 2007, we actually drilled the top hole portion of that well at that time in preparation of drilling horizontal. That was early on in the development of the field. One of the issues that we realized early on that we have talked about here before is that the deeper the formation it does sometimes create some issues with the drilling of the horizontal well. In this area, we're on the eastern portion of the field. The Lower Huron Shale formation is quite a bit deeper in this area as opposed to on the western half of the field where just talked about some of the other units. In this case, early on, we had proposed this well. We went ahead and drilled the top hole portion of it down to our kickoff point and do the well. Then that's when we sort of realized, okay, this may be a problem for us at this depth. And so we sort of said, okay, let's try some things and see if we can work this out and then come back to this well. And at this point in time, we have made some strides in those areas, but we went back into this well to check the well after it had been sitting for close to two years waiting for it to come drill in the horizontal. We did have some collapse around the bottom of our seven inch casing in the formation. It was a shale

formation that, typically, in this general area did not seem to have problems. But either over just having the well open for that amount of time without completing the horizontal well, you know, shortly after we top hole typically. We had some problems there. We spent some time and we spent some money trying to clean up that hole to reestablish the hole and stabilize that by, you know, either pumping some cement down into the open annulus of the hole and drilling that back out to try to stabilize it. We just never got comfortable with it, to be honest, at that point in time. So, what we've ended up doing at this point is we've actually plugged that vertical well back to our seven inch casing. That in corporation with the fact that this would be a very deep well and the money we spent in it at this point in time. We've did some further evaluation in the area. We've indicated that there's a potential to drill a Big Lime horizontal unit in this same area. But that formation basically on a vertical drilling in our analysis in the area is to the east of where we've already drilled this top hole well. So, that's why we're here today is to establish a whole new unit and to be able to drill this well, the 530100. If you'll skip ahead, BB is the basic units again. CC is basically the same information there that we previously talked about. Then on Exhibit DD, you'll

see the layout of this area. You'll see the location of the 530100 well, which was actually just outside of the unit that we plan drill in early on. When this well was actually placed at this particular location at the request of the coal company in this area to not interfere with their mining operations. So, that was...that's one reason we were outside of the unit in this case and we were also, you know, trying to cooperate with that entity there to not sterilize any further coal reserves. So, now what we're proposing today is by getting this new unit established, the 2697, and actually drill in the northeast direction and try this as a Big Lime horizontal well and that would help us to savage the cost...that we already have in this top hole well at this point in time. Then in cooperation with that, we're also seeking today an exception to allow us to produce from within the interior window of this new unit. I've steepled that area in blue.

JIM KAISER: Do you mean produce outside the interior window?

GUS JANSEN: Yeah, produce outside the interior window within this horizontal well as we drill it. The reason again for that is we've talked about many times before is we know there is a definite relationship between the length of your lateral horizontal well and the

production that you're able to achieve and being able to get this additional 300 to 400 feet on the orientation that we need to drill this well. Again, the orientation is dictated somewhat by...there are three vertical wells in this unit that are already producing from the Big Lime. So, that...we're trying to basically stay as far away from each of those wells as we can and recover the remaining resources and then test the theory that there is still resource there. We do believe that based on our analysis in this area.

JIM KAISER: Okay. So, our application does request some additional or different relief in that normally we state that all production will come from within the interior window, but this particular application asks that we be allowed to produce in the setback zone for these reasons, is that correct?

GUS JANSEN: That's correct. And I've sort of summarized the bullet items that I've talked about just now on Exhibit EE, again, asking for this exception from the 300 foot interior window standoff that we typically are granted. We were also discussing here when the vertical well is drilled and the reasons behind all of these things. And, again, there are no correlative rights issues in this area. Referring back to DD and Mr. Horn can talk about this also, the yellow indicates Range Resources mineral ownership and

the green indicates leased ownership in these areas.

JIM KAISER: Yeah. Mr. Horn, could you address...if the Board were to approve this application and allow us to produce in the...outside the window in the 300 foot setback, could you explain further or (inaudible) why there are no correlative rights issues?

PHIL HORN: We own acreage to the north and to the west of this new unit that we're getting. So, we want to produce up to the edge of the unit.

BUTCH LAMBERT: So, is the new well, 530100, in the same formation?

GUS JANSEN: No, we will go---.

JIM KAISER: The new well---.

GUS JANSEN: ---through the permitting process and modify our permit to revise the unit that we are going to drill, the orientation of the well and the formation that we are going to drill. But, first, we needed to get this unit established and to get the formation...before we can go through the permitting process, to get the rest of this approved.

BUTCH LAMBERT: Who owns the mineral to the south...immediately to the south in this steepled area?

PHIL HORN: To the south?

BUTCH LAMBERT: Uh-huh.

PHIL HORN: That would be us. South of 100?

BUTCH LAMBERT: Yes.

PHIL HORN: Yes, sir, that would be us.

BUTCH LAMBERT: Other questions from the Board?

BRUCE PRATHER: The only question I have, do you think that this will be common place, this deviation from the normal owned wells in this area because of coal? Do you think this is going to...if we're going to see wells in the future in which we're going to be out into the steepled area? We're right on the edge of it. I mean, you've got all of the acreage around the place. So, you don't have correlative rights. You can do what you want to. But like I say, is everything in here going to be controlled by the coal mining to that extent?

GUS JANSEN: I think the coal mining will have an influence on where we position wells and also where the existing vertical production will have an influence on that also. Both of those factors will come into play. I think that our goal, you know, as an industry is to try to maximize this resource and to place them where we can to do that. I think that's what we're trying to do here.

BRUCE PRATHER: See what we would like for you to do will be drill the thing diagonally. Of course, you would too.

GUS JANSEN: Right.

BRUCE PRATHER: But if you're in an area where the land problems don't allow you to do it, I guess, you're going to have to have a deviation or a variation or something.

GUS JANSEN: Right. I think early on, just to reiterate on that, the 320 acre unit was sort of formatted to give us enough lead way to be able to drill multiple directions and multiple formations. This situation just happens to revise that with the situations around it with the existing vertical wells and the mining issues and all of those that it just did not fit, you know, the basic template that we've been going through.

BUTCH LAMBERT: Do you anticipate drilling right to the northern boundary as shown here in your---?

GUS JANSEN: In a perfect world, we would only drill until we...we would have a natural production and not even have to drill that far. But we would like to have the ability to drill as far as we could if drilling was going well and we wanted to get...again, we've talked about being able to have the maximum lateral length available. To do that in this case, this is somewhat shorter than the 4400 maximum you get on a perfect corner to corner orientation.

BUTCH LAMBERT: So, is Range the mineral owner

directly to the north as well?

PHIL HORN: Yes.

BUTCH LAMBERT: North of that unit?

PHIL HORN: Yes.

BUTCH LAMBERT: Any further questions from the Board?

MARY QUILLEN: Mr. Chairman, I have just one question. These vertical wells, which...how many of them are in the same formation---?

GUS JANSEN: All three of these wells---?

MARY QUILLEN: ---and the same horizon?

GUS JANSEN: ---have been completed and are producing from the Big Lime formation now?

MARY QUILLEN: All three of them are?

GUS JANSEN: Yes, ma'am.

MARY QUILLEN: And then this horizontal is also going to be in the Big Lime?

GUS JANSEN: That is our plan for now. Again, we're establishing this unit to be able to produce in many other formations later on if we wanted to come and drill another well on this same pad maybe in this orientation, you know, in a different formation, we would be able to do that also.

BRUCE PRATHER: And what you're talking about is---

?

MARY QUILLEN: This is---.

BRUCE PRATHER: ---you're going to drill a well that you're not going to any pipe in and the Big Lime will be the conduit.

GUS JANSEN: If...well, if we had a natural production, we would not place pipe. But if we had to stimulate the well, we would place pipe.

BRUCE PRATHER: Yeah, yeah, yeah. So, you could drill multiples off of that thing as long as you don't have to put that pipe...that one string of pipe in there.

GUS JANSEN: If we...in that case, if we had enough of production we would stop the drilling process, produce the well for a certain amount of time and then come back and redrill it and then complete the well. It would be our process. Not drill another horizontal off of that at this point.

BRUCE PRATHER: Yeah. But, I mean, you could if you didn't run the pipe. Limestone usually won't---

GUS JANSEN: Technically, you could do that.

BRUCE PRATHER: Limestone usually won't sluff on you. So, you could have---

GUS JANSEN: If you're talking about the multi-lateral concept, which is---

BRUCE PRATHER: Yeah. Uh-huh.

GUS JANSEN: ---being done in other areas. Yes, that's...you could do that.

BRUCE PRATHER: Uh-huh.

MARY QUILLEN: These additional wells, are you thinking additional horizontal or conventional...excuse me, vertical?

GUS JANSEN: In this area, if we were to drill any additional wells, it would be horizontal wells.

JIM KAISER: Mr. Jansen, are all three of the existing vertical wells at least 600 feet from your proposed lateral?

GUS JANSEN: Yes, they are.

JIM KAISER: Okay.

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: No, sir. 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 those in favor, signify by

saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

JIM KAISER: Thank you.

BUTCH LAMBERT: Ladies and gentlemen, we're going to take a ten minute break.

(Break.)

BUTCH LAMBERT: The next item on docket is item twenty-two. A petition from Range Resources-Pine Mountain, Inc. for a modification of a provisional drilling unit RR-2034 consisting of 320 acres for the drilling of horizontal conventional gas wells, docket number VGOB-07-0918-2034-01. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman and Board members, Jim Kaiser, Phil Horn and Gas Jansen on behalf of Range Resources-Pine Mountain Oil & Gas.

BUTCH LAMBERT: You may proceed.

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

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Horn, has everybody been notified as required by statute?

A. Yes, they have.

Q. That being all the coal, oil and gas owners?

A. That's correct.

Q. And we have green cards back from everyone?

A. That's correct.

Q. And in this particular case, again, we have...our application request additional or different relief in that we're again asking to be allowed to produce outside the interior window in the 300 foot setback area, is that correct?

A. That's correct.

Q. And can you explain in this particular case, before we get to Mr. Jansen's testimony, as to why and how, can you explain in this particular case why again if the Board should see fit to approve this there will not be any correlative rights issues among the royalty owners?

A. The unit to the east that will be infringed upon if---

Q. Do you want to refer them to an exhibit on his thing maybe?

A. Okay. Sorry.

GUS JANSEN: BB.

Q. BB would be best.

A. Okay. Unit 2107 is owned 100% by Range Resources. We don't really have any correlative rights between drilling each wells and our ownership. There's a producing well in it already.

Q. Okay. And then what about 2034?

A. 2034 is a 100% us and then there's the stuff down...the acreage down south in the southwestern part is a third party oil and gas owners. They will also benefit by producing outside the interior window because they will get more royalty.

Q. Okay. And that lateral...do you know about how...how far the lateral is from what you're calling the third party mineral? What scale is this? Do you know?

A. It's probably at 800 feet probably.

Q. It's probably an inch to 400? The scale.

GUS JANSEN: On the plat.

Q. Can you do it on the plat?

A. It's probably 800 feet.

Q. About 800 feet?

A. Just guessing. Uh-huh.

JIM KAISER: All right. Thank you. Nothing

further of this witness, Mr. Chairman.

BUTCH LAMBERT: All right. Mr. Horn, looking at 2034---.

PHIL HORN: Uh-huh.

BUTCH LAMBERT: Are those...what are those symbols on the line? Is that a P?

PHIL HORN: I'll let Mr. Jansen explain all of that.

BUTCH LAMBERT: Oh, I'm sorry.

PHIL HORN: That's okay.

BUTCH LAMBERT: Do you want to wait and...I can hold that question until we get over to his---.

JIM KAISER: If you would, that would be great.

GUS JANSEN: Yeah, I'll cover that.

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

MARY QUILLEN: I don't know...Mr. Chairman. I'm not sure if this is a question for you or for Gus, but the drilling pad that you're drilling, is this one that you said is the provisional already in 2107. Are you drilling both from the same pad?

PHIL HORN: Yes, ma'am.

MARY QUILLEN: Okay.

PHIL HORN: We have two producing wells from the

same pad.

MARY QUILLEN: Okay.

PHIL HORN: Those are...on Exhibit BB is where the laterals are located inside those units.

BRUCE PRATHER: You don't have any problems metering the gas coming out of these two combined units, I hope you don't, because, you know, you've got part of it over in this unit here and part of it there. How are you going to---?

PHIL HORN: We've got separate meters for each well.

BRUCE PRATHER: By the footage? I mean, by how do you---?

PHIL HORN: No, sir, by the acreage inside the 320 acre unit.

BILL HARRIS: There are two unique vertical wells drilled, but they're on the same pad, is that correct?

PHIL HORN: Yes, sir. One...yes. Going in opposite directions.

BILL HARRIS: So, one is going to go, yeah, in different directions.

BRUCE PRATHER: See one is in this one...one is in this one when you cross that line.

BUTCH LAMBERT: Mr. Kaiser, are you through with

Mr. Horn because I know the questions are all coming from what Mr. Jansen is going to cover with us? So, if you want to continue with Mr. Jansen and let him get into this, maybe he will answer some of our questions.

GUS JANSEN

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Jansen, can you explain kind of what the facts are here and why we're requesting this additional relief on this well?

A. Yes. Again, Exhibit AA in your packet is just the... indicating the location of this unit and the other units that have already been approved in this general area. Exhibit BB goes into more detail here. Again, the history behind this well is we came in and we drilled the horizontal well. After we drill a horizontal well, our typical procedure is we come up with a plan for placing our four and a half inch production packer system to produce the well at that point in time. As all of those calculations are made based on the well being drilled to TD and being able to place that entire string of casing to the bottom of the well. In this particular case, we were talking about troubles that you may have in the well at some point in

time. You know, we go through an extensive procedure once we've drilled a well to try to clean the well as best as you can to get all of the cuttings that may be left in the well. Not in a well is perfectly uniformed as you drill it. In this case, we were placing our packet system, four and a half inch casing is one unit into the well. We were not able to reach our planned depth, which was the TD of the well. We actually had to set short by 525 feet, which in essence means your whole casing system is short all the way up the rest of the lateral and back up to the top of the well. So, you don't put as much casing into the well. Realizing that in that case, actually dropped the stage of the well, but we had a stage that about 20 feet beyond the unit limit here and rather than eliminate an entire stage what we would like to do is be able to complete that well to maximize the production of the well and complete that additional stage. Those Ps are the location of the packers as you come out the back of the well. There are other packers all the way down through here. We could have shown them all in this, which was a twelve stage...it was a nine stage proposed completion and we only ended up doing eight of them. So, we dropped the stage due to that 525 foot short setting of our casing. But we would like to go ahead and complete this other zone even though it only takes in

about 20 feet of that exception area outside of the window and that's what we're here today seeking a relief from is to be able to produce that in addition to the rest of the well that's inside the window. We felt like...we don't want to leave that production behind just because we weren't able to place our packer the whole way. Our packet system to the whole way of TD.

Q. So, in otherwise, to maximize the recovery of the gas that you're getting from that lateral, you want...you're seeking permission to do a completion stage that will perforate into the setback area about 20 feet, is that correct?

A. That's correct.

Q. And you've previously...do you agree with Mr. Horn's testimony that there's no correlative rights issues?

A. That's correct.

Q. Okay.

A. And Exhibit CC, again, just as a summary of the things that we've talked about here today, why we're asking for the exception, the whole conditions impeded that place for the packer. Again, that stage eight completion maximizes this well production. We've already submitted our drilling completion report to the DGO and they will needed

to have this exception before they can approve that reporting. Again, there's no correlative rights issues and, again, to summarize the benefits of horizontal drilling.

So, this is a little bit different...and, again, we've talked about there's always a risk of any kind of well out here and there's always situations that are going to arise. This is not uncommon in horizontal drilling. We never exactly put everything to the exact foot when you placing that casing in. There's always going to be a little bit of variability into it. We try to build that in so that we stay within the interior window in all cases. This one is really on the extreme side is why we're here today to, again, maximize that production.

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Mr. Chairman, I have...you said 20 feet.

GUS JANSEN: Yes, ma'am.

MARY QUILLEN: Okay. Where is that 20 feet? I mean, what...what are you using that 20 feet as?

GUS JANSEN: Okay, let me see if I can explain it a little bit different. We have a string of casing that goes in and it's divided into eight segments for the completion of the well.

MARY QUILLEN: Uh-huh.

GUS JANSEN: You'll stimulate each of those segments separately.

MARY QUILLEN: Right.

GUS JANSEN: That stage eight stage...that stage eight completion stage is the last stage and it is up...it's still in the Lower Huron formation.

MARY QUILLEN: Okay.

GUS JANSEN: That is...if it's probably started up into the curve slightly of the well, but we're still within the formation itself. We actually drilled this well again, as you can see, outside of this unit---

MARY QUILLEN: Right.

GUS JANSEN: ---because that's where the pad was available to drill the well. That increases the likelihood that you have formation available to complete the further you get outside the unit within that 300 foot setback area.

MARY QUILLEN: But it's still in that same horizon?

GUS JANSEN: Yes. We're still in the Lower Huron/Devonian---

MARY QUILLEN: Okay.

GUS JANSEN: ---Shale Horizon. I should have clarified that too.

MARY QUILLEN: Thank you.

BILL HARRIS: One other just related...and this is

probably something I should know, but when you're completing these, you're starting at the far end and working back?

GUS JANSEN: That is correct.

BILL HARRIS: So, this final stage that you're talking about is just as you start to curve up?

GUS JANSEN: That is correct.

BILL HARRIS: But that's...in terms of surface, that's going to be in that...in the...not window itself, but in that---?

BRUCE PRATHER: Next unit.

GUS JANSEN: In that setback area.

JIM KAISER: Setback area.

GUS JANSEN: Within that setback.

BILL HARRIS: Okay. But not the next unit?

GUS JANSEN: No. It's in this unit. It's still in this unit within a setback of this unit. Again, you can see the adjacent unit. The setback is delineated also in the 2107 unit. This is the setback to the 2034 unit that we're asking for the exception.

BRUCE PRATHER: I'd just like to make a comment. I'll say one thing and that is that I realize, you know, that you're going to have to have exception to variations to drill these type of wells. But as long as you stay within the state subscribed unit boundaries, I can go along with

it. When we start changing the shape of these units, then I think we're getting in trouble.

GUS JANSEN: Right. And, hopefully, it will move forward...again, that was the concept of having a large 320 acre unit to give you some variability to have these situations that arise and to be able to have enough area to work within to drill a perfectly viable well.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: No. We'd ask that the application be approved as submitted, Mr. Chairman.

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second.

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

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

approved.

JIM KAISER: Thank you.

BUTCH LAMBERT: The next item on the agenda is item twenty-four. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530160, docket number VGOB-10-0420-2698. All parties wishing to testify, please come forward.

TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Range Resources-Pine Mountain, Inc.

(Jerry Grantham is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you.

PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn. I'm the land manager for Range Resources-Pine Mountain, Inc. and one of my duties and my job description is to get wells permitted and drilled.

Q. And you're familiar with this application,

is that right?

A. Yes, I am.

Q. And you participated in the preparation of the application?

A. Yes, I did.

Q. Now, we filed an original application, is that right?

A. Yes.

Q. And then a revised application?

A. Yes, we did.

Q. Can you tell the Board why we did that?

A. We learned before we can that we had left a well off. So, we added P-204 well. It was a 148 feet too close. So, we've added another well to the application.

Q. And the parties who were listed on Exhibit received both the application, the notice and the revised application, is that correct?

A. That's correct.

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

A. Yes, I am.

Q. And in this particular case, Range Resources is both an owner and an operator, is that right?

A. That's right.

Q. So, for these particular wells, P-204 and 530125, you both own and participate, is that right?

A. That's correct.

Q. Now, as far as notice of this hearing, how was that done?

A. It was done by certified mail.

Q. And we've provided that...those certifications with the Board, is that right?

A. Yes.

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.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jen...Mr. Grantham, would you please state your name, by whom you're employed and your job description?

A. Jerry Grantham, Range Resources-Pine

Mountain. I've Vice President.

Q. And you're familiar with this application?

A. I am.

Q. Would you please tell the Board why we're seeking a well location exception today?

A. We're seeking an exception for 530160 because of...we're trying to locate this well on an existing strip bench that's out there. To promote conservation and not disturb more earth. You can see...if you look at this map and ask why it can't be moved further to the west. The reason for that is that particular strip bench or high wall is quite narrow in that area and we would have to go in and blast down some of the high wall to fit a location in. So, the location was moved about 200 feet further to the east where the bench was wide enough. The existing bench was wide enough to accommodate a well location.

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

A. The proposed depth of this well is 5658 feet.

Q. And if the Board did not grant our application, what would be the loss of reserves?

A. It would be about 350 million cubic feet of gas.

Q. So, Mr. Horn has previously testified that

you all are the owners and both operators under this unit, is that right?

A. That is correct.

Q. So, we don't have a correlative rights issue. But if the application is approved as submitted then it will promote conservation and the prevention of waste, is that right?

A. Absolutely.

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

BUTCH LAMBERT: Mr. Grantham, were you talking from something other than the plat that we have? You were describing the surface mine bench.

JERRY GRANTHAM: Yeah. I guess I could hand out the exhibits, couldn't I?

BILL HARRIS: Well, that might help.

JERRY GRANTHAM: I haven't been up here in a while.

(Laughs.)

(Off record discussion.)

JERRY GRANTHAM: Does it make more sense now? I might add just real quickly, the green shaded area, of course, is the area that is the acreage that's not currently developed in this unit. You can see that it's the majority of the unit and it represents about a 109 out of the 112

acres.

BILL HARRIS: Do you mind explaining again why you could not move that further north or further northwest?

JERRY GRANTHAM: Yeah. If we went to the...we would have to go to the northwest to get away from both of those other circles. If you do that, you move up off the bench onto a pretty steep area. The other area that we could go to would be due north and go all the way up to the word Buchanan, which is up on top of the ridge. When we do that, we leave a substantial gap, which is in between all of these wells now and then we have correlative rights issues. We have drainage issues not effectively draining the reservoir. So, we felt like this was the best alternative.

BRUCE PRATHER: Are you up on top of the high wall? Is that where you're at?

JERRY GRANTHAM: I'm sorry?

BRUCE PRATHER: Are you up on top of a high wall?

JERRY GRANTHAM: No, we're actually down on the flat part of the high wall here.

BRUCE PRATHER: Okay. I didn't see the X on this map is where the strip line is.

JERRY GRANTHAM: On your map, a shaded...sort of a shaded area that shows the bench around there and it shows the well right on the---

BRUCE PRATHER: Yeah, it has an X on it?

BILL HARRIS: Well crosses and Xs.

BRUCE PRATHER: Crosses and Xs.

JERRY GRANTHAM: Yes. Yes. With the Xs, that's correct.

BUTCH LAMBERT: It looks like it's right on the edge of the bench.

BRUCE PRATHER: Yeah, that looks...that's the reason---

JERRY GRANTHAM: It's right on the edge of the bench, yeah.

BRUCE PRATHER: That's the reason I...that's the reason I asked you. You either on the bench or on the high wall.

JERRY GRANTHAM: Yeah, it's on the bench.

BRUCE PRATHER: Okay. Okay.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: Yes, Mr. Chairman. I want to ask Mr. Horn a couple of more questions.

PHIL HORN

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, when we were talking about who the owners are under this particular unit, I had lead you with that question. And would you please state to the Board who the owners are?

A. Range Resources-Pine Mountain, Inc. owns 84.34%, ACIN owns 4.73% and the Hagen Estates owns 10.93% of this unit.

Q. And all of these individuals were notified, is that right?

A. Yes, they were.

Q. Including their gas lessees...oil and gas lessees?

A. That's correct.

TIM SCOTT: Okay. I wanted to clarify that, Mr. Chairman. Thank you.

BUTCH LAMBERT: Okay. Thank you, Mr. Scott.
Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion?

BILL HARRIS: Motion for approval.

BRUCE PRATHER: Second.

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

further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott. It's approved. The next item on the docket is a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530161, docket number VGOB-10-0420-2699. All parties wishing to testify, please come forward.

TIM SCOTT: Again, Tim Scott, Jerry Grantham 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, one more time, your name, by whom you're employed and your job description.

A. Phil Horn, land manager, Range Resources-

Pine Mountain, Inc. I'm in charge of getting wells drilled.

Q. You're familiar with this application?

A. Yes, I am.

Q. And you're familiar with who owns the oil and gas, is that right?

A. Yes, I am.

Q. And in this particular instance, Range Resources does own 100% of the oil and gas under this unit, is that right?

A. That's correct.

Q. And also participates in the operation P-225 and P-226, is that right?

A. That's correct.

Q. So, all parties who were required to be noticed of this hearing had received notice, is that right?

A. That's correct.

Q. How was that done?

A. By certified mail.

Q. And we've provided proof of mailings to the Board?

A. Yes, you have.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

JERRY GRANTHAM

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Grantham, again, your name, by whom you're employed and your job description.

A. Jerry Grantham, Range Resources-Pine Mountain and I'm Vice President.

Q. And you're familiar with this application?

A. I am.

Q. Please tell the Board why we're seeking a well location exception today.

A. We're seeking this exception again because of topography in this area. Actually, it's a pretty similar situation to the one that we just saw. The road that comes in from the north, if you see, there's a strip bench that then turns in a road going south. It comes down and makes a turn on a spur down there. On that spur, there's a wide flat spot that we can build this location on. To get it so that it would not be a location exception, we would have to move it considerably to the northwest and get it right up along 72 where there is no good location. The area in between all of there is quite steep. So, we felt like

building it on this spur where the road makes a turn and there's a big flat spot was the most prudent thing to do. In this particular well, we have 93.86 acres that are undeveloped in the unit. That's it.

Q. Okay. What would be...what's the proposed depth of the well?

A. The proposed depth of this well is 5820 feet.

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

A. It would be 300 million cubic feet.

Q. And we did have...Mr. Horn just testified that we have no correlative rights issues, is that right?

A. That is correct.

Q. So, if the application is approved, then it would promote conservation and prevent waste, is that correct?

A. That is correct also.

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

BUTCH LAMBERT: Questions from the Board?

MARY QUILLEN: Mr. Chairman, just one question.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: Who owns those two? Is it EQT?

JERRY GRANTHAM: 20...225 and 226---

MARY QUILLEN: Uh-huh.

JERRY GRANTHAM: -are operated by EQT and we are partners with them on those wells, yes.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, 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: Oh, I'm sorry. I have a motion and second. Any further discussion?

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Scott.

TIM SCOTT: Thank you.

JERRY GRANTHAM: Thank you.

PHIL HORN: Thank you.

BUTCH LAMBERT: The next item on the docket is item

twenty-six. It's a petition from Southeast Land & Mineral, LLC for the establishment of a provisional drilling unit consisting of 160 acres for the drilling of a conventional gas well, unit Wolfrum Hall #1, docket number VGOB-10-0420-2700. All parties wishing to testify, please come forward.

JONATHAN YARBOUGH: Jonathan Yarbough, Orville Nelson, Jason Brent and Charlie Bartlett of Southeast Land & Minerals.

BUTCH LAMBERT: Okay. We need these gentlemen to be sworn.

(Orville Nelson, Jason Brent and Charlie Bartlett are duly sworn.)

BUTCH LAMBERT: I can start off by saying, you're going to going to ruin us with these pretty exhibits. We're not used to seeing these. Maybe other folks probably will have to take notice.

JONATHAN YARBOUGH: Can we kind of face it this way?

BUTCH LAMBERT: No, that...can everybody see?

(No audible response.)

JONATHAN YARBOUGH: That's fine.

SHARON PIGEON: We just need for you to talk really loud because I can't hear you. I don't know what's going on here.

ORVILLE NELSON

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

DIRECT EXAMINATION

QUESTIONS BY MR. YARBOUGH:

Q. Mr. Nelson, could you state your name for the record and what your role is with Southeast Land & Minerals?

A. My name Orville Nelson. I'm the managing partner of Southeast Land & Mineral.

Q. Is Southeast Land & Minerals authorized to do business in the State of Virginia?

A. Yes.

Q. And we're here for the establishment of a provisional drilling unit for the drilling of conventional gas wells, is that right?

A. Yes, it is.

Q. What do your responsibilities include with regards to proposed provisional drilling unit?

A. I'm...mostly I was in charge of the leasing operation for the Wolfrum area.

Q. Could you tell the Board a little bit about your background in the energy industry?

A. I've got about thirty-seven years in the coal business in eastern Kentucky and West Virginia. We decided that we were going to kind of switch gears due to the downturn of the coal industry. We met with Dr. Bartlett. He identified a formation that looked pretty enticing and we decided to go this route and try it.

Q. And is it your testimony that all the oil, gas and tract owners within this proposed unit are required by statute have been notified of this hearing?

A. Yes.

Q. And has that been done by certified mail return receipt requested?

A. Yes, it has.

Q. And have you received all of the receipts?

A. Yes.

Q. And has that been submitted to the Board?

A. Yes, it has.

Q. And is it your testimony that you've been able to locate and identify all of those who should have received notice under the statute?

A. Yes.

Q. Did you publish a notice in a paper of general circulation in Washington County?

A. Yes, I did.

Q. And what paper was that?

A. The Bristol Herald Courier.

Q. And has an affidavit of due diligence been submitted to DMME?

A. Yes.

Q. And have you posted the required bond with DMME?

A. We have.

Q. Okay. Mr. Nelson, at this time, can you give the Board a sense of Southeast Land & Minerals sort of long term and short term plans in this area?

A. A short term was to start with this first application for a permit to drill a conventional well and return to the next meeting or the meeting thereafter with the application for two additional wells and request for our field unit operator. If these wells are successful, we continue to go throughout this formation and drill until...as long as it's feasibly productive commercially to drill it out until it's complete. The number of wells is really going to determine on what we hit there in the reservoir itself.

JONATHAN YARBOUGH: No more questions for this witness, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: You said that you been in the coal... worked in the coal industry in West Virginia.

ORVILLE NELSON: Kentucky and West Virginia, yes.

MARY QUILLEN: Oh. What about---?

ORVILLE NELSON: I've been a coal operator for about---.

MARY QUILLEN: What is your experience in gas?

ORVILLE NELSON: My experience in gas?

MARY QUILLEN: Uh-huh, the gas industry.

ORVILLE NELSON: The is my first endeavor in the gas business. I came into this realm with the energy business. Hopefully, I've surrounded myself with some of the best people in the industry. I have Dr. Charles Bartlett who is local here in Abingdon. I've got Jason Brent with Consolidated Oil Field Services out of Texas. Many years of combined experience here between these gentlemen. I rely heavily on their expertise.

MARY QUILLEN: But your person...I'm just asking

about your personal experience.

ORVILLE NELSON: My personal experience is just like it is in the coal business. I furnish money. You know, I come in and I...you know, I put up the investment capital. We hire the best people in the industry us that can do these services for us.

MARY QUILLEN: Okay. So, this...you're financing this?

ORVILLE NELSON: Right.

MARY QUILLEN: Okay. All right. Gotcha. Thank you.

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: Is this the topography or is that map mapped on some data...some formation data? You haven't got these marked. So, I don't know---.

JONATHAN YARBOUGH: If I may, Mr. Bartlett is going to speak to that. Would it be all right for the Board to allow him to address those questions at the appropriate time?

BRUCE PRATHER: Oh, okay.

BUTCH LAMBERT: Yeah, I think that's appropriate. We'll hold those questions until we get to Mr. Bartlett.

JONATHAN YARBOUGH: Thank you, Mr. Chairman. Any

further questions of the Board?

BUTCH LAMBERT: No questions from the Board. You may continue.

JONATHAN YARBOUGH: Okay.

CHARLES SAMUEL BARTLETT, JR.

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

DIRECT EXAMINATION

QUESTIONS BY MR. YARBOUGH:

Q. Mr. Bartlett, can you state your name for the record?

A. Charles Samuel Bartlett, Jr.

Q. And what is your role with Southeast Land & Minerals in this project?

A. I am consultant to them on this project.

Q. And could you give the Board a little background about your geological background in oil and gas in general and in particularly this area?

A. You said a little bit because otherwise to cover fifty-five years would take a while. I have been involved in geology here in Virginia for the last, oh, thirty years at least and also in northwest Arkansas and other places, but those are the primary areas. I, in the

1980s, after I left a twelve year stint of teaching at Emory & Henry College where I was Chairman of the geology department, begin to have clients running out of my ears during the boom times of the '80s. We did a leasing program of 120,000 acres up and down the Interstate. This was one of the areas that I first leased. My name is all over the Courthouse on lots of leases. But this is an area where some of you know that Early Grove Gas Field is located close to this. The Early Grove Gas Field was drilled initially in 1932. It was the first gas field in Virginia, a commercial field. I could go into the history of that. But it was plugged out for a while and I was instrumental, while I was still at Emory & Henry, in reviving that gas field. The first well that was drilled was drilled at my request 500 feet deeper than most of the wells that had been drilled in the Early Grove Field in the first stage of the drilling. That well encountered about a flow of two and a half to three million cubic feet of gas a day. It was drilled in Washington County. That kicked off the revival and about 20 more wells were drilled. Those wells produced between 10 and 15 years. At that point, the idea came to Virginia Gas Company to turn it into a gas storage field. That gas storage field is about two and a half to three miles west...on its eastern end, it's about two and a half to

three miles west of the area that we have blocked out for this project because this is a different structure. The Early Grove Anti-Cline is what the Early Grove Field is on. The Wolf Run Anti-Cline, which is offset a little bit from the Early Grove structure, is the target here. The first well that was drilled on this structure was with one of my clients, the Booth well, and that was the well that drilled all the way down to the Berea Sand and found gas in the Little Valley formation, the same formation as producers in many of the wells in the Early Grove Field. That well had encountered a flow of a half million cubic feet of gas and for mechanical and other reasons, the well was never completed. So, they walked away from that one. Three years later, the Headingure well was drilled very close to where we were planning to drill this first well onto...really explore correctly, this field. The Headingure well had a flow of about two and a half million to three million cubic feet of gas. A flare that was about half the length of this room came out. The blue line was ultimately completed. The pipeline was laid and it produced for about two and a half months. Again, engineering problem. They had water about less than 200 feet above where the gas flow was encountered. We feel quite firmly that the problem with that well was that they broke through the cement job and water came into

their gas plug. So, the Headingure well was, again, abandoned and plugged. I have tried now for the last three and a half to four years now to get someone interested in funding the revival of the field that's there and pretty well proving. It just needs to be engineered properly to complete the wells and to complete them successfully without watering and without any troubles. So, this was on my bucket list, if you know what the bucket list is. I just turned 80 not long ago and I guess from here on I can call my ideas bucket list ideas that are left over from working in the area for 30 some years.

BUTCH LAMBERT: Mr. Bartlett, if you will approach this Board. Do you mind if I?

BUTCH LAMBERT: Mr. Bartlett, while you're coming up, let me ask you one question. I want to clarify one thing for the Board. It's your testimony that this proposed well will in no way impact the Early Grove Field.

CHARLES SAMUEL BARTLETT, JR.: Not all. The Early Grove Field has a protective zone that was established through the proper authorities and this well is not in that zone at all.

BUTCH LAMBERT: I understand. I just wanted the testimony on the record. Thank you.

CHARLES SAMUEL BARTLETT, JR.: Okay. That's fine.

Q. Dr. Bartlett, will you show the Board exactly on this map---?

A. If the Board will turn their heads 90 degrees they can see it properly.

Q. Just describe the provisional drilling on this map for the Board.

A. Okay.

BUTCH LAMBERT: Gentleman, you're going to need to speak a little bit so the mic's can pick you up.

JONATHAN YARBOUGH: Okay.

Q. Okay. Describe the provisional drilling unit on this map for the Board. I actually think---.

A. I believe (inaudible) that's reduced---.

Q. ---we have a handout that's reduced.

A. ---the size of this map. This is a portion of Washington County in the northwestern part about five miles northwest of Bristol. The Town of Bennings is located...I'm pointing right here, the intersection of a couple of roads. This the Wolf Run road and it's also where the railroad once ran through there and Bristol fought over trying to get a hiking/biking trail along that road. So, just to bring you up to the news that we've had over the past couple of years is that battle was fought. It actually started earlier than that. Our first location is in this

little valley here...okay, that's Rt. 628. Believe it or not, it's not in Texas, but it's called the Lonestar Road. That's this road that (inaudible).

BUTCH LAMBERT: Mr. Bartlett...Mr. Bartlett, you're going to have to speak up so the mic can pick you up.

CHARLES SAMUEL BARTLETT, JR.: Can I borrow a mic?

BUTCH LAMBERT: Yes, sir.

BRUCE PRATHER: He can borrow this one if you'd like.

SHARON PIGEON: You can take it out of that stand.

BILL HARRIS: Just take it out of the stand.

CHARLES SAMUEL BARTLETT, JR.: That works for me. Okay, do you need any of that repeated? Yes or no.

COURT REPORTER: Yes.

BILL HARRIS: That was a yes.

CHARLES SAMUEL BARTLETT, JR.: Yes, okay. The location is off of Rt. 628, which is known locally as the Lonestar Road. It is in a little narrow valley that parallels part of that road and goes back into a high area to the north of it. This is a 160 acre unit outlined on your maps. I thought long and hard about what size to make these units and finally came to that. That's a quarter of a mile either way you want to work it, 1320 feet. That is our unit that one of the maps has with a preliminary designation

of unit number C-6. I think you may or may not have that part of it.

JASON BRENT: That's the first...that's the first page of your Exhibit A.

BUTCH LAMBERT: Exhibit A?

JASON BRENT: Yes, sir.

DAVID ASBURY: Could you describe...Dr. Bartlett, would you describe how the units if they're going (inaudible) how you labeled them?

CHARLES SAMUEL BARTLETT, JR.: The proposed unit, not only this one, but for the development of the field, we hope, we're optimistic, that they run almost east/west and north/south. It's a little bit off of that because I laid them out on...initially on land maps of the county and they don't exactly have north/south...where north/south is on the topographic map. So, it's just a little bit off of east/west north/south on the topographic map.

BILL HARRIS: Sir, let me...now, are you using A, B, C or A, B, C across the top. Is there some kind of a designation pattern?

CHARLES SAMUEL BARTLETT, JR.: That is a proposed plan, which will be presented, I think, next month. But on my copy I've got that already laid out. So, we'll be presenting that to you. That's A, B, C, D. Starting A at

the north and down to the G at the south. Then starting with number one over here on the far western side of the designated units and going eastward to C...A, B, C-10. So, it's actually five miles in total extent east/west and three and a half miles north/south that we've laid out in the first plan for the field.

BILL HARRIS: Just one other question.

CHARLES SAMUEL BARTLETT, JR.: Sure.

BILL HARRIS: You said your number one, that's at the lower left? You said something about---

CHARLES SAMUEL BARTLETT, JR.: Right. This is...if we use this, ultimately, this is F-1 and E-1.

BILL HARRIS: Okay, going off...okay. And then the two would be the next---?

CHARLES SAMUEL BARTLETT, JR.: Right. This is---

BILL HARRIS: Right. Okay. So, your columns are 1, 2...okay. I just wanted to...okay.

CHARLES SAMUEL BARTLETT, JR.: Yeah. Yeah, there's a pattern. I think that's what you used commonly over in the coal field area.

BILL HARRIS: Yeah. I just wanted to make sure what---

CHARLES SAMUEL BARTLETT, JR.: So, we're sort of following that in advance thinking.

BILL HARRIS: It makes sense. Thank you.

BRUCE PRATHER: Are those 13 20 squares, is that what they are?

CHARLES SAMUEL BARTLETT, JR.: There are 49 squares altogether.

BRUCE PRATHER: No, no. I'm talking about that you mentioned your square. Are they 13 20s?

CHARLES SAMUEL BARTLETT, JR.: Yes, 13 20s.

BRUCE PRATHER: Okay.

CHARLES SAMUEL BARTLETT, JR.: North, south, east and west. That's a 160 acres, if that's what you're trying to calculate that. Next---

JONATHAN YARBOUGH: We can go back and refer to some of the exhibits that we have in hand. So, you can go ahead and have a seat, Doctor?

CHARLES SAMUEL BARTLETT, JR.: No further questions on this map?

BUTCH LAMBERT: Any other questions?

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Bartlett.

CHARLES SAMUEL BARTLETT, JR.: Sure.

KATIE DYE: Oh, I have a question.

BUTCH LAMBERT: I'm sorry.

CHARLES SAMUEL BARTLETT, JR.: Yeah.

KATIE DYE: I'm sorry. Could you tell us about what scientific basis you used to choose like an 160 acre square? This is something---

CHARLES SAMUEL BARTLETT, JR.: For flexibility more than anything else. It's takes in a large enough area that should we ever in the future desire to have increased density, we would have four 40 acre units. I was thinking, who knows how many productive zones we're going to find ultimately in this field. It gives us that flexibility that should we go to 40 acres as you're doing elsewhere, everybody that's in this initial 160 acre unit, if more wells are drilled, they would all share in several wells for that one unit.

BUTCH LAMBERT: Any thoughts given to horizontal drilling?

CHARLES SAMUEL BARTLETT, JR.: Yes. That's down the road...way down the road.

BUTCH LAMBERT: Okay.

JASON BRENT: Conventional today, sir.

CHARLES SAMUEL BARTLETT, JR.: Okay.

JONATHAN YARBOUGH: Any other questions of the Board?

BUTCH LAMBERT: I don't think so. Any other questions?

(No audible response.)

CHARLES SAMUEL BARTLETT, JR.

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. YARBOUGH:

Q. Dr. Bartlett, the Board has done a good job of pretty much checking off all of my questions for me.

A. Got a head of the game, huh?

Q. Yeah. But I do want to ask you one question. Do you have any sense of the potential production of this well?

A. Well, we know that the two wells that were drilled on the structure had initial flows in the case of the first one 500 mcf estimated by some to be 600 mcf. The second well that was drilled had over 2 million cubic feet of gas of initial flow. The other key to this is this on the same trend with the Early Grove Field and you have a wide variance of production in those wells because they went on down to the upper sand of the Price Formation, which incidently I did my Dissertation on, the Price Formation at the University of Tennessee that was completed in 1974. So, I know that formation. It's the Upper Sand that as it is sometimes called over the coal field areas, the Weir Sand that is productive in many of the wells in the Early Grove

Field that are now part of the storage field. The variance in production...yeah, they did have a few...a couple of dry holes in the Early Grove Field, but they also have wells that flowed 3...3 and a half million on the high side. I'd say the average well had an initial flow out of the little valley of about 750 mcf to a million and the Weir Sand was the better as far as the higher numbers are concerned. It has sometimes as much as two and a half or three million cubic feet of initial flow.

JONATHAN YARBOUGH: That's all the questions I have for this witness.

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I'd like to ask a question. What is the...what is the map...what's this data map on? Is this map the Berea?

CHARLES SAMUEL BARTLETT, JR.: What is the---?

JASON BRENT: Can I answer that, sir?

BRUCE PRATHER: Yeah.

JASON BRENT: What that is is that a focused in spot of the valley. We actually have topographic maps and why he chose the location---.

BRUCE PRATHER: Okay. So, it's topography? It's surface topography.

JASON BRENT: Absolutely, sir. Absolutely, sir.

You were correct when you said it to begin with.

CHARLES SAMUEL BARTLETT, JR.: Yeah. We're in the valley where we can get to easier. It's within the setbacks (inaudible) there.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue.

JONATHAN YARBOUGH: Thank you, Mr. Chairman.

JASON BRENT

DIRECT EXAMINATION

QUESTIONS BY MR. YARBOUGH:

Q. Mr. Brent, can you state your name for the record?

A. Jason Brent.

Q. And what is your role with Southeast Land & Minerals?

A. Project manager.

Q. And can you tell the Board a little bit about your background in gas?

A. Absolutely. I hail for Texas, so I like the Longstar Road. I was raised in the industry from a very small child. I actually have pretty much done every aspect

up to project management. I've actually been on the rigs. I've rough necked. I've worked all the way up to tool pusher to rig supervisor and field supervisor. I was deployed by the United States Government. During that time, I received an education rather than being out there turning the wrenches on chemical petroleum engineer. Back and forth in between getting called back to some of these conflicts that we have out there, you know, I began my career early on, and I have about 20 years behind me right now as far as the oil field totally. 10 solid years as far as project management in petroleum engineering. I came about to learn of this project through some interest of Mr. Nelson and of Mr. Bartlett and have been working on this project alone for about six months to make sure that we get everything prepared to sit in front of this Board today.

CHARLES SAMUEL BARTLETT, JR.: Get a drilling rig.

A. Absolutely. I've been involved in many, many drilling operations, which we don't really have here. Anything from HTHB, which high temp high pressure wells in South Texas to all the way Popling and Guinea and the Jurassic zone to the Marcellus, the Fayetteville, the Haynesville, the Barnette, the Bousure. So, I have a wide experience as far as being able to retract gas. I just...one of the things about me also, I'm in NRC certified

and I deal with FERK a lot because I work upstream also. And I'm not so much of a tree hugger, but I do believe that as far as the land owners that are here today have a right to be heard on their issues as far as environmental issues, and I propose a different type of drilling plan that takes care of those issues to not have the problems that I've read about that you've had here in this area.

CHARLES SAMUEL BARTLETT, JR.: Incidentally, we don't have any coal to drill through here.

A. Right.

CHARLES SAMUEL BARTLETT, JR.: It's not coalbed methane.

Q. Mr. Brent, what's going to be done to protect the water resources of land owners within the provisional drilling unit?

A. Well, initially, we're going to comply with the water monitoring and testing and everything. We don't have that available today. However, we have proposed to provide that for any operation should the Board approve it. We've selected the MI, which is...I believe is well known by the Board as far as water testing here. We'll comply with all rules and regulation to do that.

Q. And, in your opinion, will this project promote the safe and efficient exploration for the

development, production and conservation of the gas and oil resources located in the Commonwealth?

A. Absolutely. I do agree with everything that Dr. Bartlett has shared here with you today as far as the reason why he made it a 160 acre units. Initially, we're going just for conventional drilling. Should we look at a different formation at a later point, of course, we would look at horizontal. However, we want to prove a formation first and doing it safely and environmentally friendly as we can today.

JONATHAN YARBOUGH: I have no more questions, Mr. Chairman.

BUTCH LAMBERT: Questions from the Board?

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: You said you were a petroleum geologist. Can you tell me where you earned your degree?

JASON BRENT: I wish I was a petroleum...I'm petroleum engineer, ma'am.

MARY QUILLEN: Engineer.

JASON BRENT: I spent most of my time at the little school called Texas A & M and I finally graduated from Canterbury University.

MARY QUILLEN: From where?

JASON BRENT: Canterbury University.

MARY QUILLEN: And where is that?

JASON BRENT: That is through Con App through the military. Con App is an admission program when you go in. It's from Texas. You also fall in line for the Hazlewood Act. All of your school once you're finished...so, when I was deployed or back in town they have Army education centers and you pursue with your degree. There's only certain schools that will allow you to be able to be that versatile and Canterbury is one of the schools, ma'am.

MARY QUILLEN: So, you received your degree at then from Canterbury, correct?

JASON BRENT: Yes, ma'am. I also have Master's in Project Management from Canterbury.

MARY QUILLEN: From where?

JASON BRENT: Canterbury University. Yes, ma'am.

BUTCH LAMBERT: Any other questions?

KATIE DYE: I have a question.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Yes. What about your setbacks within these 160 acre units?

JASON BRENT: We have a 200 foot minimum mandatory setback within the units.

KATIE DYE: okay. And that's shown in the

application.

CHARLES SAMUEL BARTLETT, JR.: It's not on the individual well plat and the surveyor intended to put that on there. But it somehow or another got left off. But we are about 400 feet back from the east edge.

JASON BRENT: Absolutely.

BUTCH LAMBERT: It's in the description.

JASON BRENT: It is in the description, ma'am. I did make a description also all the way to the complete---

KATIE DYE: I haven't look through your last handout. I apologize. _____

JASON BRENT: No, no, no. That's fine. I appreciate the question. Thank you.

BUTCH LAMBERT: We would probably need for you to submit us a new Exhibit A showing your setback.

JASON BRENT: Not a problem, sir. We'll have that today. I actually have---

CHARLES SAMUEL BARTLETT, JR.: I had already asked the surveyor to start doing that. Yeah.

JASON BRENT: We've actually got it, sir.

BUTCH LAMBERT: Okay. Thank you. I appreciate that. Mrs. Dye.

KATIE DYE: On your tract identification, you show nine tracts.

JASON BRENT: Yes, ma'am.

KATIE DYE: But on your green cards that you have...where you sent certified mailing, you only show eight.

JASON BRENT: Yes, ma'am, there was an unidentified land owner at the time.

KATIE DYE: Oh, okay. That explains it.

JASON BRENT: Absolutely. But I will tell the Board that they have been identified and we have noticed and we've went out and talked to the people and everything. Finding...unless anyone here has an objection. We do have receipt of that notice.

SHARON PIGEON: You do have the green cards on you?

BUTCH LAMBERT: Do you have the green---?

JASON BRENT: Yes, ma'am. We do have...once again, sorry, it's not on your list.

BUTCH LAMBERT: Okay. Have you received it? Have you submitted that to Mr. Asbury?

JASON BRENT: It's in the packet that I believe...it is there? Yes. Yes. I just wanted to make sure.

BUTCH LAMBERT: Okay. Great. All right, thanks.

CHARLES SAMUEL BARTLETT, JR.: We'll do better next time. We're working out the kinks right now.

BUTCH LAMBERT: We understand.

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: Are all the land owners...all of the owners, are they leased?

CHARLES SAMUEL BARTLETT, JR.: No.

JASON BRENT: No, ma'am, they're not all leased. We...there's also been a revision to that, the 25% or more that have been leased.

MARY QUILLEN: Okay. That was my next question.

JASON BRENT: It looks...according to this, it looks like that everybody is leased. We need a copy...we need to know who was not leased?

JASON BRENT: Yes, ma'am. Yes, ma'am. We have that turned into your office. I do have a revision of that showing 25% or more are leased.

MARY QUILLEN: Okay. Who is responsible for developing the AFE?

JASON BRENT: I am, ma'am.

MARY QUILLEN: Well, this is not what we ordinarily receive.

JASON BRENT: I understand.

MARY QUILLEN: You know, we have a, you know,

format has a lot of breakdown.

JASON BRENT: I understand.

MARY QUILLEN: You've got a very large amount here. Two contingencies that needs to be flushed out that---

JASON BRENT: I understand.

MARY QUILLEN: Okay. So, all of this would certainly need to be revised.

JASON BRENT: I'll be able to put it in digital format for you. I was asked for that today. I wanted to give you a sense of the numbers and where they were at now.

CHARLES SAMUEL BARTLETT, JR.: I don't have copies for you, but I can quickly show you the lease map and what we have and don't have if you'd like to see it.

MARY QUILLEN: No, we just need a list of those people.

CHARLES SAMUEL BARTLETT, JR.: Okay.

MARY QUILLEN: So that, you know, we know who has been leased. You know, who has identified and that sort of thing and who has not been leased.

JASON BRENT: That's the packet that I've given out here. Yes, ma'am, I understand.

MARY QUILLEN: But this, you know, not comprehensive enough that we could, you know, consider it.

JASON BRENT: Ms. Diane, those that Kimberly brought you, do you have them?

DIANE DAVIS: They're up in the office.

JASON BRENT: Oh, you already took them in the office. I do have that to the Division.

DIANE DAVIS: I handed out everything that she gave me for here.

JASON BRENT: Okay. But Gerald Hall is the lessee, ma'am. Gerald Hall is the lessee. It's also where we proposed the drilling site to be, who owns 49.82 acres in that tract, which will be 31.1375%.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: They have presented a couple of different things here. Maybe as far as steps are concerned and we're working with them and glad to do that. What's before you today is the establishment of a provisional drilling unit. It's our understanding that they will...are in the process of coming back to the Board to ask to be established these field rules. So, that the Board complies with 45.1-361.20 establishment of the field rules. What's before you today is to establish this one single provisional unit and then they will come before the Board maybe in May and present the field in its total and how the field rules

will apply at that time.

JASON BRENT: Absolutely. Yeah.

DAVID ASBURY: So, today's effort of why they presented the whole field is to give you, I guess, a broad sense of what their field development. But their specific request for the Board's consideration is only the provisional unit today and then come back before the Board in May and give you the full testimony about the establishment of the field rules and things of that nature. There seem to be a confusion that they're really trying to establish the whole field and that's not their purpose here today.

BUTCH LAMBERT: I think there's also some confusion that we're looking at this application for this one particular unit. I have to be honest with you, the application is really lacking a lot of items that we normally see. One being the AFE. The second one being the unit and the interior window. I notice that you don't have all of the property owners listed. You have a Tract 9 in your one section. I don't see a Tract 9 listed in your plat. So, I think that's causing some confusion.

JASON BRENT: Do you not have this, Mr. Chairman?

BUTCH LAMBERT: We do.

SHARON PIGEON: We have that, but we don't have it

on here.

BUTCH LAMBERT: We do. But---

JASON BRENT: But you don't have it listed here?

SHARON PIGEON: It doesn't show---

BUTCH LAMBERT: They don't...the numbering doesn't match up.

DIANE DAVIS: They're not doing field rules.

BUTCH LAMBERT: I understand. But that's the point that I'm trying to make. We're...you're asking us to do one thing, but you're presenting us a package to consider that's not what we usually...it doesn't have all of the information that we usually like to see. So, that's where...that's where the confusion... that's why you're getting so many question.

JASON BRENT: Oh, I understand. I understand. Thank you. I'll take care of that.

DAVID ASBURY: In this single provisional unit, they are not asking for pooling because everyone is leased.

BUTCH LAMBERT: Any further questions from the Board? Is there any questions about what we're being asked to consider?

(No audible response.)

BUTCH LAMBERT: Do you have anything further?

JONATHAN YARBOUGH: I don't, Mr. Chairman. I would

just ask...I would ask for it to be approved with any modifications that the Chairman may suggest.

BUTCH LAMBERT: And to just to make it clear what we're being asked to do is just to approve the provisional unit.

JASON BRENT: Yes, sir.

BILL HARRIS: Mr. Chairman, I know we do this from time to time. Are all of the elements in place? I know we have a lot of extra material.

JASON BRENT: Yes, sir.

BILL HARRIS: But is all of the...I mean, I don't know if we have a checklist. I'm sure there is at the Division office. Are all of those items in place? In other words, there's a description of the location and the size of the unit and whatnot. What else?

BUTCH LAMBERT: Well, I think they have presented all of the information that we need to make a decision on whether or not to approve the unit as far as a location. They're need to come back again to ask for a well operator approval and drilling of the well, if we get that far. But right now we're just talking about a unit...a provisional unit.

MARY QUILLEN: Mr. Chairman, I still am a little confused on...when you're saying units. They're saying a

160 acre square units. But the illustrations that has are 40 acre.

CHARLES SAMUEL BARTLETT, JR.: The illustration showed a 160.

BRUCE PRATHER: 1320 X 1320 is 40 acre spacing.

CHARLES SAMUEL BARTLETT, JR.: Oh, excuse me.

BRUCE PRATHER: 2640-.

CHARLES SAMUEL BARTLETT, JR.: 2640.

JASON BRENT: 2640.

BRUCE PRATHER: ---is the 160.

CHARLES SAMUEL BARTLETT, JR.: Yeah, I slipped up there.

JASON BRENT: Yes, sir. It is 2640.

BRUCE PRATHER: Yeah.

CHARLES SAMUEL BARTLETT, JR.: Half a mile by half a mile.

BRUCE PRATHER: Yeah, okay. I gotcha now.

JASON BRENT: You're correct, sir.

CHARLES SAMUEL BARTLETT, JR.: Sorry. I was thinking from previous days.

BUTCH LAMBERT: Any further questions from the Board?

(No audible response.)

BUTCH LAMBERT: Do I have a motion on the

establishment of the provisional drilling unit?

BILL HARRIS: Mr. Chairman, I guess based on the information that we have, I would make a motion that we approve the establishment of the 160 acre drilling unit, the one that we are presented. Now, we don't have a designation for that particular one or is this...I mean, I know we're talking about one in particular. But that's why I asked about a grid designation, F-17 or something like that.

JASON BRENT: Yes, sir, we do. I'll provide you with that. It's C-6 as far as this grid is concerned on here that has displayed.

BILL HARRIS: Ah, yes. I'm sorry. I stand to be corrected.

JASON BRENT: Yes, sir, it is. To readdress that question. Alpha numeric starting with the one to the left. Just standard mapping. Yes, sir.

BILL HARRIS: Okay. Well, my motion is then for approval of that provisional unit.

BUTCH LAMBERT: I have a motion.

BILL HARRIS: Is there a second? I don't know.

KATIE DYE: Second.

BRUCE PRATHER: Did you make a motion?

BUTCH LAMBERT: I have a motion.

BILL HARRIS: Yes. I made a motion that we approve

the---.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: And Mrs. Dye just second the motion.

BILL HARRIS: Oh, did she? Okay.

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, gentlemen. Your application is approved.

JASON BRENT: Thank you, sir.

JONATHAN YARBOUGH: Thank you.

BUTCH LAMBERT: The next item on the docket is item twenty-seven. The Board will receive an update from staff relative to ongoing business activities of the escrow account and other requests made by the Board members. Mr. Asbury. You're up, Mr. Asbury.

DAVID ASBURY: Mr. Chairman, I have a couple of issues just to---.

BUTCH LAMBERT: Ladies and gentlemen, we're still in session. I'll ask for you to please refrain from talking.

DAVID ASBURY: The staff continues to work with individuals with conflicts. As you heard earlier this morning, the Board asked staff to meet with representatives of the Linkous Horn Heirs. We did that. I'll fourth meeting was held Saturday. We continued to work through their issues. We will continue to work with them to identify steps to resolve their conflicts. The staff also continues to work on the escrow account. In a few minutes, you'll hear an update of the escrow account. I've given you the summary for the first quarter. The summary reflects that we did have interest income of \$14,846. There was fees of 4132. We had disbursements of \$301,150 for the quarter, which was close a record quarter and we continue to work diligently on disbursements as we...as the Board approves. Also, the staff continues to work on the escrow account itself to identify some of the historical issues. They go back to 1994/95 as far as some of those units that are shown as 0. We continue to do research on those. That's all I have.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Thank you, Mr. Asbury, for the update. It's very helpful. We appreciate your work. Any questions from the Board?

(No audible response.)

BUTCH LAMBERT: The next item on the docket is item twenty-eight. The Board will receive an update and first quarterly report from First Bank & Trust Company relative to the activities of the escrow funds. It's good to see you folks again. You all are beginning to be regulars.

DEBBIE DAVIS: Let me start by saying thank you for having us. It has been a pleasure serving you all. We're really enjoying it. Today, myself, I'm Deborah Davis. I have Karen McDonald and Tom Davis, no relation.

(Laughs.)

DEBBIE DAVIS: We'll start out with an update on the escrow account administration, which Mr. Asbury shared with you. I showed the total funds that we had received from Wachovia Bank being the 24,996,380.17. Royalty deposits received for the first quarter was \$941,401.65. We did have income earned of \$14,846.30. Our fees taken for the first quarter have been \$4,131.83 and we have done distributions of \$301,149.75, which leaves us with an ending value of 25,647,346.54. I have included right after that our spreadsheet of each of the individual units with their balances. I tried to color code it to make it a little simpler for you with the royalty deposits being in blue, income in purple, fees in red and distributions in blue.

The correction entries that you will see, we worked with the Virginia Gas and Oil Board office and when we received the funds from Wachovia, there was a negative balance in a well, and it was researched by them and discovered that Wachovia had made distributions improperly from another well. So, we've switched those moneys and have that corrected now. The other correction entry that was made was on docket number 362041. Moneys of \$2,658.93 were transferred in from docket number 3621. For some reason there were a unit name of 041. They had two different sub-accounts and they really should under...been listed under one. So, we moved those moneys in so that we just have the one now.

BUTCH LAMBERT: We appreciate the spreadsheet and (inaudible.)

BRUCE PRATHER: I've got a question.

DEBBIE DAVIS: And, of course, at the end of the spreadsheet you'll see the unfunded units that we have on record as of to-date.

BRUCE PRATHER: Could I ask a question?

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I assume what you've done here is you've critiqued what Wachovia gas you. Is there any errors that you've corrected? Is that basically what you've done?

DEBBIE DAVIS: Well, that is working with...the

office here was trying to figure out why we had a negative well. With their research, they're the ones that found the discovery.

BRUCE PRATHER: Are you still working on that or have you finally got everything worked out?

DEBBIE DAVIS: That has been resolved.

BRUCE PRATHER: Is everything worked out now?

DEBBIE DAVIS: To the best of my knowledge, yes.

BRUCE PRATHER: Okay, good. Thank you.

DEBBIE DAVIS: Is there any questions on that portion?

BUTCH LAMBERT: That's great. Thank you.

DEBBIE DAVIS: Okay. I will turn it over to Karen who will take over for our investment.

TOM DAVIS: I'm not Karen, but I'm going to---.

DEBBIE DAVIS: Oh, okay. Tom, you said you weren't going to talk.

TOM DAVIS: I was just going to be another pretty face. But I decided that I should talk. We do include the statement of investment policy where you're not really using that right now. At some point, I believe, you will. So, we're just including it in here and at some point the Board is going to have to approve that or with any changes whatsoever. But...so, we're just including it in here. So,

at some point, you all can read it and digest it and make any corrections that you want to. What our goal there with the investment policy is to actually set the perimeters when we become more aggressive. Not aggressive, but more aggressive than we're currently being with the investment of the funds that this will set the standard for what it is you can do and what you're asking us to do.

BILL HARRIS: Let me ask a question though if you would. Are you on that page one statement? That last paragraph, I just read it quickly just as you were finishing up. But let's...can we just visit that for a second? "The insurance coverage may be reduced to its previous level of \$100,000 at some point." I'm not sure if I understand what that's telling us.

DEBBIE DAVIS: I think they don't understand that it's with certificates of deposits.

TOM DAVIS: Okay. With certificates of deposit in the financial crises that we had within the last couple of years, the FDIC chose to increase the limits for a period of time.

BILL HARRIS: Okay. To encourage people to start reinvesting, yeah.

TOM DAVIS: To encourage people not to take money out of banks.

BILL HARRIS: Yes.

TOM DAVIS: And...or financial institutions. But that's no guarantee that that will remain at that level and that's what we're trying to say because, I mean, that would be an important factor for the Board because you want to...if you put it into CDs you want it to be insured amounts.

BILL HARRIS: Okay...yeah, these are certificates of deposits specifically---

DEBBIE DAVIS: Right. This does not...as to what we were invested in right now. Right now we're fully...fully insured.

BILL HARRIS: Yeah. Yeah. It just clicked. Okay, thank you. Thank you.

MARY QUILLEN: I have just one...I just want to clarify, because this is what we discussed when you all were here and we asked about after December the 31st of 2013 if they should roll back that those would be distributed into an individual that would be less than a \$100,000. I believe you did 95,000. So, that would...we would be covered with each one of those different ones.

TOM DAVIS: Yeah. And the amount less than 100,000 to make sure that the interest that would be paid is also covered.

MARY QUILLEN: Exactly. It would still be less than the \$100,000. Just clarifying. Thank you. I thought I remembered correctly our discussion of that. I think I'm the one that discussed it.

KAREN MCDONALD: If there are no other questions about the investment policy at this point, I'll move to the next session of your notebook to the scenario. Before I start there, Leeton Harding apologizes for not being with us today, but he did want me to report to you on the issue of FDIC insurance for cash bearing...for interest bearing accounts that we had discussed previously. June 30...June the 30th was the deadline for the coverage...full FDIC coverage of amounts earning 25 basis points or less in an interest bearing account. The FDIC has tentatively put forward approval to extend that to December the 31st. That action by the FDIC is usually adhered to and adopted by the full organization...I'm not quite sure of the structure of the FDIC. But there is a period of time where it is put out for public comments. On April...on May the...on March the 19th...no, on April the 19th it went out for public comment yesterday. And then in a month's time, that public comment will be closed and the FDIC will review public comments and make a statement by June the 1st definitely announcing whether, in fact, it will be extended to December the 31st,

2010. Mr. Harding will be at a Washington Banker's meeting on Risk Management. He will be actually in the presence of Sheila Bair, the FDIC Chairman, the day after the close of the comment period and he will be having a conversation with her. So at that point, he hopes to know definitely. But by June the 1st at the latest, we should know if, in fact, we can continue expecting FDIC coverage for this interest bearing account through December the 31st. We understand that you may just want to meet with us quarterly. If that is the case, then our next meeting would be in July and we would be happy to have a conference call with the Board with the office or whoever would like to have definite confirmation on how the FDIC finally decides. So, we're open to coming back---

DEBBIE DAVIS: We can come back.

KAREN MCDONALD: We can come back or whatever because this is a critical issue.

BUTCH LAMBERT: Absolutely. Would it be possible maybe to report back in June...at the June meeting?

DEBBIE DAVIS: That's not a problem.

KAREN MCDONALD: Absolutely.

BUTCH LAMBERT: Okay.

KAREN MCDONALD: And we could certainly notify David in the interim.

BUTCH LAMBERT: Please...yes, please, do and then we'll invite you back for the June meeting as well.

MARY QUILLEN: The June...could we be notified...will we be notified sooner than that to know that in the event there should be a call meeting or something because that's a very narrow window between our meeting and June the 30th?

KAREN MCDONALD: It is. It is, but---

DEBBIE DAVIS: We want know until June---

KAREN MCDONALD: We will not know until June the 1st unless---

MARY QUILLEN: Right. But that would give us a little more wiggle room there.

KAREN MCDONALD: Yes, you're right because we would only have a few days.

TOM DAVIS: I would say what we would do is notify David and then have David notify the Board or unless you would prefer us to notify you individually. We could do that.

BUTCH LAMBERT: No, we would...if you could notify Mr. Asbury and he can notify the Board members. Then, in addition, we would encourage you to come back, you know, and give us the full details.

MARY QUILLEN: Oh, yeah, definitely. Uh-huh.

KAREN MCDONALD: Sure. And Mr. Harding did mention too that normally when the FDIC puts forward these recommendations rarely are they contradicted or voted against. So, he feels...he uses the word tentative but feels fairly sure that this will be extended through December the 31st. But what I have done is assumed that we will maintain our 25 basis points of interest on the full amount of the funds that we have invested through June the 30th and that would give you an approximate estimated income of \$31,250. The second page is for the third quarter. Again, I have simplified my assumptions and eliminated any federal government...any government agency bond investments and just included the fully FDIC insured interest bearing account and the CEDARS CDs that we've discussed in prior visits. This is just a phase of a one year and a three year certificate of deposit through the CEDARS program and we are still able to maintain the 1% interest for a one year CD and a 2.3% interest on a three year CD. When I compare it to other investment options regardless of FDIC insurance or otherwise, it is still the best...these are still the best options, the 25 basis points of interest income with high liquidity and then a potential for the CD investments. Then the third page is the fourth quarter adding another tier of a one year CD and a three year CD. This shows where we can

possibly have more interest income with very little additional risk because of the FDIC coverage. That would put...on the final page, if we were to proceed with this scenario we would earn approximately \$95,000 in interest this year on the funds. Again, it's an estimated balance. The \$95,000 would compare if we just kept it...assuming full FDIC insurance on the interest bearing account, that would earn approximately \$32,000 for the year...I mean, \$62,000. 31 for six months and 31 for the next six. So, we're talking about a difference of almost \$30,000 or more than \$30,000 if we stepped into a few CEDARS products. But, again, that is entirely the Board's preference.

TOM DAVIS: Yeah, we feel that it's our responsibility to give you other options. Obviously, it's your decision what to make. We want to show you that there are ways to make a little bit more cash without incurring any more risk.

MARY QUILLEN: Right. And you did go over this very thoroughly with our initial meeting. I know I asked a lot of questions about this too. But these are for the...out for the year and then it would be two one year and two three years, is that right?

KAREN MCDONALD: And that would actually be broken down into the \$245,000 dominations. So, it would be

multiple CDs with those limits.

MARY QUILLEN: Right. Right. Yeah. Okay.

KAREN MCDONALD: Then the 95,000 for the next year.

MARY QUILLEN: Right.

KAREN MCDONALD: And then the remaining material is simply documentation that confirms that we have reviewed a number of the investment options that the Code of Virginia would allow the Board to invest in. We are still in the best position with 25 basis points on a fully liquid and fully insured interest bearing accounts that beats everything else that we could do and the one year CD rate of 1% and the three year CD rate of 2.3% that the bank had offered are as good or better than anything else that we're finding with the...and beat it all because of the FDIC coverage. So, there's nothing that I could recommend to you as far as other investment options that would have the safety that we're presenting to you right now.

BUTCH LAMBERT: Any questions?

(No audible response.)

BUTCH LAMBERT: Anything?

KAREN MCDONALD: And so, Mr. Chairman, we're assuming through June we would maintain all of the funds in the interest bearing checking account.

BUTCH LAMBERT: Yes. I think that's what we need

to do at this point. Unless there's any other suggestions from the Board.

BRUCE PRATHER: Could I ask a question?

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: You know when the last year that Wachovia had this account we went in the red on the account on the operation and cost, this, that and the other. I would assume and if I recall...I missed the last meeting, but if recall right, I think yours is around 35,000 or something like that is your total costs to this for the year. What is your cost?

KAREN MCDONALD: We--.

TOM DAVIS: It's more like 25,000.

BRUCE PRATHER: Well, yeah, it's 25 or---.

KAREN MCDONALD: We had---.

TOM DAVIS: It's 10 basis points.

BRUCE PRATHER: Okay.

KAREN MCDONALD: Yeah.

BRUCE PRATHER: So, actually what it amounts to then, we're making 25...we're making \$70,000 that...if this occurs. There may be some projects coming up that, you know, we may have to have some money extra. I hate to see us going in the red on any of these accounts.

KAREN MCDONALD: Well, we don't anticipate the need

for that. Of course, we'll have to revisit the FDIC issue as it evolves. But the interest...the bank is committed to the 25 basis points and we are committed to the 10 basis points of fees. Rates are eventually going up. So, it would be only getting better. We are very, very aware of the issue of eating into principal and do not...we're not recommending...I mean, there are money market accounts that I think were options of the previous agent that are still earning 3 basis points and one basis point and we're not suggesting those options. We're still offering the 25 basis points. So, I do not see us. That's very much on our radar screen.

BRUCE PRATHER: I appreciate the lead way between what your projections are and what our actual costs are going to be. I mean, that's very important.

MARY QUILLEN: And very much an improvement in what we have experienced because it has been a little nerve racking.

KAREN MCDONALD: Well, we have a CFO who is very interested in serving the community and the public. This is what he wanted the bank to be able to offer you.

MARY QUILLEN: Well, this is...this is great news and we appreciate all of your good work for the Board and for all of our folks that invested here in this escrow

account. It certainly makes us feel much more confident and comfortable.

DEBBIE DAVIS: I do understand about the new legislation. The interest moneys being used and I would...I guess, we'll work with the staff and with you all on developing some sort of plan on how to proceed with that.

BUTCH LAMBERT: A lot that will depend upon the regulations and how it's drafted and how we proceed in...of course, we're going to continue...we're going to have to even more discussions when we get into how the regulation is drafted so that we will know when and where and how much.

DEBBIE DAVIS: That's fine. You know, we're here work however we need to to achieve those goals.

TOM DAVIS: That's what we're committed to is making it work and making it work in a positive manner so that you all are making some money and then how it gets used is your alls call.

BUTCH LAMBERT: We certainly appreciate that.

MARY QUILLEN: Thank you so much.

BRUCE PRATHER: Thank you very much.

BUTCH LAMBERT: Thank you for your time. We appreciate you all coming by today.

KATIE DYE: Mr. Chairman, I just have one comment before they leave. I noticed today that they had a long

wait. It was like three hours. I was wondering, Mr. Chairman, if maybe the Board will put them when they were coming until we wouldn't use up so much of their time.

BUTCH LAMBERT: Absolutely. We can do that.

KATIE DYE: They are very kind to come and do this. You know, I know your time is valuable too. I'm sure our Board meeting are not that interesting.

BUTCH LAMBERT: And if you would---

TOM DAVIS: We've got a lot of other work accomplish. We went over into the staffs office for a while and did some things. I've been using my blackberry.

BUTCH LAMBERT: I guess I could offer, if you will, that could be on the docket first thing in the morning or immediately after lunch. That's...we'll leave that up to you. Also, we have to recognize that we have our audit group here that are in the same situation. So, we'll keep that in mind for the next meeting.

SHARON PIGEON: Thank you.

BUTCH LAMBERT: Thank you.

BRUCE PRATHER: Thank you very much.

BUTCH LAMBERT: Thank you, Mrs. Dye. The next item on the agenda...or on the docket is the Board will receive an update from Robertson, Farmer, Cox & Associates relative to the escrow audit.

CORBIN STONE: Mr. Chairman and Board members, thanks for having me. I've got a handout and I'll pass that around quickly and just go over it with you.

(Pass out exhibits.)

CORBIN STONE: My name is Corbin Stone and I'm here today really to give you an update on where we stand with the audit of the escrow payments not into the escrow account but also the posting of those payments to the proper wells within that account. I'll kind of go through the task that we performed to date and where we stand. Right down the list, I received confirmation. We used a statistical expert in sampling and he certified that the sampling method that we had chosen was not biased toward anyone one company or a producer or to any one well. That being said, we pulled a stratified sample. The company selected in that sample were CNX, Equitable or EQT, Range Resources and GeoMet. You can see 22 wells from CNX. Equitable 16 wells and Range Resources 1 well and GeoMet 1 well. It was a stratified sample. So, those producers that had more wells did get the bulk of the allocation. Introductory letters were mailed to each company giving them information about the audit process and providing contact information so that they could schedule their audits and really to get it down to the right person in their finance offices. CNX responded and we're

going there on April the 26th to perform a walk through of their process. Basically to determine how they calculate their royalty payments and remit those to the escrow or to the trustee. Range Resources, I think Jerry Grantham may be here. We've called each other a couple of times and we're in the process of setting up a meeting in the next few weeks to go through their process. GeoMet really jumped on it pretty quickly and provided a tremendous amount of electronic data for us and I'll talk about what they provide a little later on. Equitable has not responded to our enquiry and we sent a second...a second request was drafted on April the 16th. I feel like it probably went out in the last day or so. We're hoping that they'll respond and we can get them on our calendar.

BUTCH LAMBERT: Mr. Stone, that has not gone out. I have not signed...I just haven't got to sign the letter.

CORBIN STONE: We sent a team...I came down with a team. We scanned copies of all of the pooling order, the supplemental pooling orders and the disbursement orders for the select wells. So, we spent a day here scanning that in. We didn't summarize each pooling order and schedule out basically the terms of each one of those orders. Recorded and prepared schedules of the well production for each well selected for testing. We pooled down basically what the

gross production was for each well that we selected including those wells that are within the one job unit. So, we've got...really we've gotten all of our background information. We've gotten and summarized the pooling orders, supplemental pooling orders. We've got well production. So, we've gotten all of our background information. Now, it's just taking that information to the companies and make sure these escrow payments are calculated correctly. Wachovia, we met with Wachovia concerning really the format of the files. They've got the files in an electronic format from September 2006 up through January, 2010. They've provided detailed information to-date on the well selected for testing. We haven't gotten electronic copies of the bank statements yet, which is really the next step. They say they can provide that from September, 2006 forward. Prior to September, 2006, their information is stored out of state. They sold that trust...the trust department that was originally handling your account was sold off to another party. So, they're in the process of trying to track down records prior to 2006. They told us they really did not know if they were going to be hard copies or electronic copies. They didn't know what kind of data they were going to be able to give us. I followed---

BUTCH LAMBERT: But you do think they have them and

have given you assurance that they will provide those records, is that correct?

CORBIN STONE: They have. They told me they will track them down.

BUTCH LAMBERT: Okay.

CORBIN STONE: They just don't know what kind of shape they're going to be in or form they're going to be in really.

BRUCE PRATHER: Do you think it will be within a time frame...(inaudible) situation?

CORBIN STONE: I hope so. We've gotten data on the specific wells in an electronic format. So, we can go ahead and audit the period of September, 2006 through 2010. Prior to that, we're going to be...it could be right at the point of matching it up to the deposit. So, we're hoping that we're going to get that pretty soon. We just don't know. We're going to keep...I think I've sent three requests now. So, I'm hounding them pretty well. Really what we've already done, we've already gone through the information that GeoMet has sent us. I kind go over that briefly. We recalculated the escrow payment based on...they provide it gross well production and then saleable production, which is different because they have line loss and various other things. But the numbers are fairly close together. So,

what you see as gross well production is fairly close to what it has actually sold. We recalculated their escrow payments with no exceptions. Interestingly enough in the pooling...in their pooling order, they have the ability to charge expenses against the well...some post production expenses. There were no post production expenses charged to this particular well. So, it's a pretty easy calculation. We knew gross production times their selling price and then a percentage of that was sent off, twelve and a half percent or one-eighth. So, that was a fairly easy calculation. But I do want to point that they have not charged any expenses against at least the well that we selected for testing. We've traced most of the payments into Wachovia's sub-account for that well, not all of them. We're still working trying to trace some of those payments in. We did compare their sale's price to historical market data and we felt like the sale's price that they were presenting to us it was approximately the market price. Understanding, they've got contracts that may or may not be of market. So, there's going to be some fluctuation. But we didn't see any gross...gross different between the sale's prices they were calculating and market data. Every company that we've been in touch with, kind of the final notes, they've been very anxious to provide data. I mean, some of them we're going

to be through their legal departments and we're going to have sign some confidentiality agreements. But they've been very anxious to provide data. More than anything, they've probably... some of them they've probably pushed up to move the dates up.

BRUCE PRATHER: We're any of these prices hedged?

CORBIN STONE: I'm not sure.

BRUCE PRATHER: Okay.

CORBIN STONE: I'm not sure.

BRUCE PRATHER: That would make a big difference.

CORBIN STONE: It would make a big difference, yes. I'm not sure because we haven't seen their contracts yet. That's one thing GeoMet hasn't provided. I imagine that's one of those things that's going to be covered...it's going to have to go through the legal department before they can allow us to see those contracts. There is some concern that the data from the beginning of the (inaudible) is going to be difficult to locate. Once we get back into 2000 and 2001, a lot of companies, at least CNX said, you know, our records are in pretty good shape for the last six or seven or eight years, but beyond that it's going to be a challenge to get everything that we need. So, do think the first couple of years of the audit period are going to be difficult really to provide you with a lot of information. The GeoMet

well and the Range Resources well both are relatively new wells. So, we feel like we'll get a 100% coverage on those two. The other concern is just that we'd like to get all of our data in a searchable format even if it's a pdf file. We can search those. So, if we've got a pdf file from Wachovia, all of their deposits for a ten year period we could search for well C-46 and we can trace those things in. So, we're hoping we're not going to get...we're going to get clean pdf copies and not rough copies or hard copies. It would just make the process a lot easier. But I'll stop there and see if you have any questions for me.

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

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: These wells, the 221611, the selection of these was from the period of 2001 through 2009.

CORBIN STONE: That's correct. Some of the wells could have been in existence prior to 2000.

MARY QUILLEN: Okay. But some of them do exist in those earlier years?

CORBIN STONE: Yes. Yes. Yes.

MARY QUILLEN: Okay. So, it is a good cross section?

CORBIN STONE: Yes, it is. It's completely random, but at the same time---

MARY QUILLEN: Well, that was my question, this was random selection based on the match against the number...the total number of wells---?

CORBIN STONE: Yes.

MARY QUILLEN: ---to get a bal---?

CORBIN STONE: Yes, it was a random sample. But, yeah, we should be getting wells that go all the way back prior to 2000.

MARY QUILLEN: And one...one of the things that you mentioned, that number seven, is the testing of those wells within that selected gob unit---.

CORBIN STONE: Right.

MARY QUILLEN: ---and see that had been one of the---.

CORBIN STONE: Challenges.

MARY QUILLEN: ---challenges because they had an original identification before they were part of the gob unit and then their identification changed and being able to match that up to be sure that...you know, that it's cross referenced between the old and the new when he became a part of that gob unit.

CORBIN STONE: Yeah, that's going to be challenging. That well...that gob unit is with CNX and we talked about that on the phone with them.

MARY QUILLEN: Yeah. And that was my next question because I do know it was there. They...the wells in that, are they...do you know how far back those wells...the original wells were?

CORBIN STONE: Off the top of my head, I don't.

MARY QUILLEN: So...but it's probably one of those older ones since it is in that gob unit because I know where that gob unit is.

CORBIN STONE: Yeah. Yeah, that one is going to be...even CNX, the folks that we took...talked to there, that the gob unit is...she said the accounting is just a lot more difficult for a gob unit than it is just a standard...a stand alone. So, we'll work through it the best we can.

MARY QUILLEN: Uh-huh. Good. We're confident that you will.

BUTCH LAMBERT: Any other questions?

KATIE DYE: I have a question.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: In this one unit that you have looked at for GeoMet you talked about looking at post production charges.

CORBIN STONE: Right.

KATIE DYE: Do you also look at severance tax to see that the 3% is being taking out?

CORBIN STONE: In this one unit, they were charging...we hadn't had that yet. So, with the GeoMet unit, they were showing gross production times selling price and then it was multiplied by the one-twelfth interest in the well and then that was the payment that was sent on to Wachovia. There were no...no charges taken out for the severance tax, which would be the local severance taxes now. Yeah, we didn't...we didn't see any severance tax coming out on that particular well. So, that calculation is somewhere else. It doesn't look like they're deducting that, at least GeoMet. They're not deducting that before calculating the payment.

BUTCH LAMBERT: Any other questions?

(No audible response.)

BUTCH LAMBERT: Mr. Stone, thank you for coming today. Again, we apologize for having you set so long. We'll try to accommodate you better at the next Board hearing.

CORBIN STONE: That's all right. I learned a lot about geology during my wait.

(Laughs.)

CORBIN STONE: Thanks for having me.

BUTCH LAMBERT: Thank you, Mr. Stone. We appreciate you. At this time, the Board needs to go into

close session to discuss some issues with the Staff attorney. I'll ask Ms. Quillen, would you please read the motion?

MARY QUILLEN: Mr. Chairman, pursuant to Section 2.2-3711(A)(7) of the Code of Virginia, I move that the Virginia Gas and Oil Board convene a close session for consultation with legal counsel regarding specific legal matters requiring the provision of legal advice by such counsel.

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

BILL HARRIS: Second.

BUTCH LAMBERT: Motion and a second. All those in favor, signify by saying aye or yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Okay. We're in closed session, ladies and gentlemen. I'll ask everyone to please leave the room.

(Close session.)

BUTCH LAMBERT: Ms. Quillen, would you read the motion to bring us back into open session, please?

MARY QUILLEN: Whereas, the Board has convened a closed meeting on this date of April the 20th, 2010 pursuant to an affirmative recorded vote and in accordance with the

provisions of the Virginia Freedom of Information Act; and
whereas, Section 2.2-3712(D) of the Virginia Code requires a
certification by the Board that such closed meeting was
conducted in conformity with Virginia Law. Now, therefore,
the Virginia Gas and Oil Board hereby certifies that to the
best of each members knowledge only public business matters
lawfully exempted from open meeting requirements by Virginia
Law were discussed in the closed meeting to which this
certification applies and only such public business matters
as were identified in the motion convening the closed
meeting were heard, discussed or considered by the Board.

BUTCH LAMBERT: Madam recorder, would you poll the
Board individually as to whether those requirements were
met?

COURT REPORTER: Katie Dye.

BUTCH LAMBERT: Yes.

COURT REPORTER: Bill Harris.

BILL HARRIS: Yes.

COURT REPORTER: Bruce Prather.

BILL HARRIS: Yes.

COURT REPORTER: Mary Quillen.

MARY QUILLEN: Yes.

COURT REPORTER: Butch Lambert.

BUTCH LAMBERT: Yes. Okay. Since we're back in

open session, I think that what need...one item that we need to clear up is that we will need a motion from the Board...a motion from the Board to allow the Chairman to work with our Counsel and Mr. Asbury to craft a letter to those companies who have moneys in escrow attributed to Yellow Popular Lumber Company asking them to produce records that they have done due diligence and in their research that Yellow Popular Lumber Company is an unknown/unlocatable.

BILL HARRIS: And I'll make that motion.

MARY QUILLEN: Second.

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

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: So be it. We'll work together to craft that letter and get it out.

DAVID ASBURY: I'll be glad to, Mr. Chairman.

BUTCH LAMBERT: One other item to close out our meeting today is docket item number thirty. We'll consider approval of the March, 2010 minutes. Has everyone had a

chance to review those minutes and are there any additions or deletions?

MARY QUILLEN: Mr. Chairman, there is one deletion. They have me as present at the Board meeting and I was not present at the Board meeting for March the 17th.

BUTCH LAMBERT: Okay.

BRUCE PRATHER: And neither was I.

BUTCH LAMBERT: Okay. Okay, Mr. Asbury, can you make that change?

DAVID ASBURY: I will. (Inaudible).

BUTCH LAMBERT: Okay.

BILL HARRIS: Okay. Well, I'll make the motion that we approve the March, 2010 minutes as amended excluding Ms. Quillen and Mr. Prather as being shown in attendance.

BUTCH LAMBERT: Okay. Do I have a second?

KATIE DYE: Second.

BUTCH LAMBERT: I have a motion and a second. All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Okay. And one other thing, let me ask the Board, are there any...are there any suggested changes to the docket? I know, Mrs. Dye, you made a very good suggestion and we will take that and we will do that. Is there any other suggestions in the way that the Board

conducts business that could makes us more efficient and move things along better?

BILL HARRIS: There's no way to tell people before lunch or after lunch at given time because we don't know where lunch is going to fall. You know, I'm just...well, especially...well, I think we've addressed this already, but the folks coming who are doing our escrow account and the audit. I think we said that we would try to get them on earlier or at least after lunch to at least let them know. But---

BUTCH LAMBERT: I think we decided that probably they would like to come first on the agenda. So, we'll just ask them to appear first and then we'll dispense with that quickly.

MARY QUILLEN: I would recommend having public comments at the end rather than the beginning as long as we have these people coming in to make these reports that are going to meet with us from the Bank and from the auditors.

BILL HARRIS: Well, we used to have it at the end, didn't we?

MARY QUILLEN: I know we did. Yeah.

BILL HARRIS: We moved it up because people, I guess, set all day waiting to comment.

KATIE DYE: It just gives the people time to simmer

and---.

SHARON PIGEON: Right.

BILL HARRIS: Cool out.

KATIE DYE: Yeah.

SHARON PIGEON: They're not cool.

KATIE DYE: Well, not really cool off. I think, you know, obsess over what their issue is.

BILL HARRIS: Oh, okay. You're saying...so, you're saying---?

KATIE DYE: Yeah.

SHARON PIGEON: They get angry.

BILL HARRIS: ---it's not good to put them at the end?

KATIE DYE: I don't think so. That's just a personal opinion.

BILL HARRIS: Yeah.

BUTCH LAMBERT: I think that---.

KATIE DYE: The public, I think, sees that as being maybe disrespectful to them.

MARY QUILLEN: But the thing that I'm saying is during the period that we're paying these people big money to come and, you know...I think we need to see them at their convenience because they're taking care of our business.

BUTCH LAMBERT: Oh, I understand now what you're

saying.

MARY QUILLEN: And have that---.

BUTCH LAMBERT: Have the public comment period after we hear from---?

MARY QUILLEN: Exactly. Yes. Yes.

BUTCH LAMBERT: Okay.

MARY QUILLEN: Because I don't feel like that they need to be subjected to that. I mean, those folks that are coming here to---.

BUTCH LAMBERT: I understand.

MARY QUILLEN: ---make their reports. I mean, I really do.

BUTCH LAMBERT: I think that's a good suggestion and we can do that.

BILL HARRIS: Yeah.

BUTCH LAMBERT: Okay. We'll be happy to do that.

MARY QUILLEN: Because they've come and sat all day, you know. I mean, that's not good.

BUTCH LAMBERT: Right. Okay, let me...let me say too...I know Sharon wants to speak, but let me say to this Board on the record that I, as Chairman, really appreciate the work that you do and the effort that you've put into this Board attending our Board meeting. Let me appreciate exactly how well we are and how much interest we take in the

cases that we hear. I appreciate each and everyone of you and the effort that you give to this Board. I just want to publicly say thank you.

SHARON PIGEON: And I want to say that the next day after the...our Board meeting he came and said that to me. I'm just making that up. No, he told he appreciated you all profoundly. I just wanted to ask one question about the business conducted during...or discussed during the closed session. It was discussed the change in procedure on Exhibit E. I didn't know if you wanted to deal with that now.

BUTCH LAMBERT: Oh, absolutely. I'm sorry, yes. Yes. One other item on...that we conducted in closed business is that it was decided that whenever we have a conflicting claim for escrow that we ask the well operator to produce to Mr. Asbury documentation of ownership.

SHARON PIGEON: Not just conflicting claims. Unknown and unlocateables as well.

BUTCH LAMBERT: Yes.

SHARON PIGEON: Whenever you have an escrow exhibit from this point forward that they submit to you with their application the supporting documentation that would necessitate escrow instead of a---.

BUTCH LAMBERT: Yeah. And, David, we can...David

and I are preparing a letter to go back to the industries about some items that the Board has requested that we're not seeing in every application and one of those things being we asked for topo maps showing the location and if there's any underground mine workings and we're not getting that from every company. We also asked for the plat to show all of the wells whenever there was an issue with more than one well in the unit. We can add this request to that letter as well.

BILL HARRIS: Well, since we're talking about, you know, one of the things that we've asked for over the years was some kind of report indicating actual expenses. You know, we get the AFE, which is an estimate, but then these are drilled and things go on and we never hear back. So, we don't know the actual cost. I don't know if...well, anyway. You know, I'd kind of like to know that information because that to me helps to determine the reasonableness of some of these requests.

BRUCE PRATHER: I'll take you one thing, there is one expense that is not on our AFE and that is the pipeline expense to market these gas wells. The gathering system is not on your AFE because at the time they drill the well, they're not too sure where they're going to with the gas. So, it's not on there. It's not much money, but, you know,

it's not on there, because I've got wells I get AFEs on that are the ones that you've got. You're always less than mine is.

BUTCH LAMBERT: But wouldn't that be after the fact. How would we---?

BILL HARRIS: I don't know how we would---.

BUTCH LAMBERT: How would we deal with that after we've already approved it---.

BRUCE PRATHER: Yeah.

BUTCH LAMBERT: ---and then they come back. I'm not sure how we would---.

DAVID ASBURY: May I suggest something. You approve a proposed AFE. The Board has every right, and you can do this randomly or sequentially or however you would like to do it, when you approve that application with an AFE in it say we would like for you to come back one month after the well is completed and present the Board the actual costs that compares this AFE.

BUTCH LAMBERT: Well, if we do that, we have to keep in mind how many more items that's going to add to our docket.

DAVID ASBURY: Right.

BUTCH LAMBERT: And it will really overwhelm us, I think.

BRUCE PRATHER: I'm not too sure that there's that much of a disparity.

DAVID ASBURY: I'll agree. I think---

BRUCE PRATHER: I mean, I could...I could probably show you maybe three hundred of these things.

DAVID ASBURY: But if there's...if there's a question and you have proven, Mr. Prather, that they're within plus or minus 5%.

BRUCE PRATHER: Yeah.

DAVID ASBURY: You know, that's something that the Board and the public don't see. Maybe randomly you'd just make that request and they come back and...it doesn't have to be everyone. It doesn't have to be every operator. But you could randomly request that if you have an interest in it.

BUTCH LAMBERT: Okay. That's something that we may consider.

BILL HARRIS: I mean, I was just curious to see how they do match up.

BRUCE PRATHER: Well, it's---

DAVID ASBURY: Well, there's some that I'm familiar with and Mr. Prather is familiar with. They will be over between 20%. There will be some under 30%. They will be some over 4% and some under 2%. But on the average it's

plus or minus 5% based on the field applications.

BUTCH LAMBERT: And one last item that Counsel just reminded me that if we're going to make a change to Exhibit E, we need to take a motion and vote on that.

SHARON PIGEON: If you're going to change your procedure and have them submit with their application, supporting documentation for Exhibit E, submitting it to David to the Division and not for the Board's use necessarily, but to support the Exhibit E.

DAVID ASBURY: Say that...I'm sorry?

SHARON PIGEON: The supporting documentation for Exhibit E, which means why did these persons or unknown persons need to be escrowed? Something that supports that, their chain of title, their legal opinion on title, whatever they're relying on to make that assertion to the Board needs to be submitted with their application to the Division. It's---

MARY QUILLEN: This is for all unknown and unlocateables?

SHARON PIGEON: And conflicting. Anything that goes into escrow.

MARY QUILLEN: Anything that goes into escrow. So, anything that's on Exhibit E?

SHARON PIGEON: And you're not going to then to

take that and reevaluate it because that's obviously what we said is beyond your authority to make title determination. But that submitted to David reinforces the fact that due diligence was done and we have something in our file if it's ever called into question to go back to and say here's what we were provided and relied on.

BUTCH LAMBERT: And also what that will do, if we start getting that information and David has that as part of the application, if one of these enter into arbitration then that supporting documentation will...they'll start the file with that.

MARY QUILLEN: Exactly. Exactly.

SHARON PIGEON: And, hopefully, it will reduce some of the expense, you know, and involved. It helps to streamline that process a little.

KATIE DYE: Do they currently provide supporting information when they come in like for permits as---?

SHARON PIGEON: Ownership.

KATIE DYE: ---showing that coal and minerals were severed?

SHARON PIGEON: You'll get a right of entry type of document for a permit and you'll get a consent to stimulate if you---.

DAVID ASBURY: Well, we have to have the consent to

stimulate for more than 50%.

KATIE DYE: But do you...I guess what I'm asking too since we're talking about providing documentation. Do they provide you with documentation showing that both coal and mineral was severed and what the rights were under the terms of that deed?

DAVID ASBURY: Not in a 100% of the cases because the own it. But if there's a conflict, yes. We usually have an upload of the lease agreement itself.

KATIE DYE: No, not with lease agreement. I'm talking about the original deed that severed from this property and what rights that were given to the person that bought the coal and minerals.

DAVID ASBURY: No.

KATIE DYE: So, you never look at those?

DAVID ASBURY: Never is not correct. There are specific cases we ask for that and they do provide it.

SHARON PIGEON: You get something to ensure you there's a right of entry?

DAVID ASBURY: That's correct.

BUTCH LAMBERT: That's what it's for though, for the right of entry.

SHARON PIGEON: And it's sometimes in the form of a deed and sometimes---

KATIE DYE: The state follows up and determines what the right of entry is, I'm I correct?

SHARON PIGEON: That would be---

DAVID ASBURY: No.

KATIE DYE: Well, through the permitting process, I would think---

DAVID ASBURY: They have to prove to us they have the right of entry through a deed or some given right or purchased right.

BILL HARRIS: So, we need a motion that says that we are going to...what, from this day forward we are going to require in cases of where the applicant has unknown and unlocateables and conflicts of ownership. In other words, any time money is escrowed for a well that we will require--
-.

MARY QUILLEN: Supporting documentation.

SHARON PIGEON: Supporting records.

BILL HARRIS: ---supporting documentation...thank you---

MARY QUILLEN: And it should be Exhibit E because that encompasses all of that to clarify it.

BILL HARRIS: Yeah. Supporting documentation to...I'll use her word, clarify why these people are being unknown and unlocatable or---

SHARON PIGEON: Why they should be escrowed.

BILL HARRIS: ---why they should be esrowed.

SHARON PIGEON: And that would be supported with the application.

BILL HARRIS: And that would submitted with the application. So, now, that's---.

BRUCE PRATHER: Sharon, would that be their title search, a part of it?

SHARON PIGEON: If they did a title search, if that's what they're relying on.

BRUCE PRATHER: Okay.

SHARON PIGEON: If they have something else---.

BILL HARRIS: Whatever information---.

SHARON PIGEON: What they are relying to tell you this needs to be done.

BILL HARRIS: ---to make that determination to us they need to have that---.

SHARON PIGEON: Right.

BILL HARRIS: ---sent with the application to---.

SHARON PIGEON: To the Division.

BILL HARRIS: ---the Division. Okay, is that---?

BUTCH LAMBERT: That's the motion.

BILL HARRIS: Was that the motion?

BUTCH LAMBERT: Yes.

BILL HARRIS: Okay.

BUTCH LAMBERT: So—.

SHARON PIGEON: Do we have a second?

BUTCH LAMBERT: ---we have a motion. Do we have a second?

KATIE DYE: Second.

BUTCH LAMBERT: We have a motion and second. All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Okay. We'll get that out. Mr. Asbury.

DAVID ASBURY: I've got one more item or the last item. As we've gone through the escrow units and some of the Board information, we still have an issue about a gob unit, which is the VP8SGU3 unit. Butch and I were just coming on Board when some of this went before the Board. This is the unit in which John Sheffield a party to and there were some issues with John and some tracts that were unknown. To-date, there has been no payment into escrow by the agent for this unit. As we did our research, the reason that escrow payment is not made is because the Board did not act to cause...to fix the unit in escrow and

there's...consequently, there was no order prepared. Without an order prepared and recorded, then they had no vehicle to make a deposit into escrow. So, what I think is right, and Ms. Pigeon can assist here, our research show that this first came before the Board as an order in May the 21st, 2006 as a unit. There were land tract issues in the unit. The whole unit had \$4,549 acres. The gas company controlled 99.97% of the coal and 99.94% of the gas. But there were still some land tracts in the south part of this unit, which was described as Tract 41, which was 10.67 acres and Tract 52, which was 4.73 acres. There was some issues about notice and issues about the elections and issues about how the notice was provided with four pages into one and two pages into one and all of that. Having sat all of that aside, what I think is the right thing to do is...and I'm asking the Board to allow staff to do this is on the Board's own motion require the gas operator to modify and repool this order and to bring it back before the Board and provide the right information for the land tracts and allow those individuals who are trying to fix these properties the option to make full elections again and more or less start over from the repooling part of this and ask CNX to notice everyone and do this repooling with the possibility for those individuals and land tract owners to make an election

and bring that before the Board for its consideration. Once that decision is made, then we can get that money put into the escrow account.

MARY QUILLEN: That's those two units...two tracts?

DAVID ASBURY: There were---.

MARY QUILLEN: Is that right?

DAVID ASBURY: At the bottom of the sealed gob unit, there...the testimony was gobbled some, but the way I understand it, it was identified as one tract and it should have been subdivided into two. There was ownership and acreage that were in dispute, but it was 10 acres or fourteen acres or something of that nature. But there was...there was no motion and it died for the lack of motion, which put it back to the original order, which wasn't recorded yet. Consequently, since that time in '08, there has not been money placed into escrow for that. It is in suspense, but it's not being into escrow. So, what I'm asking is two things. I'd like for the Board to give permission for me to ask the gas operator to make that escrow deposit and then to bring a repooling back to the Board.

SHARON PIGEON: They cannot make the deposit into the escrow account without the order.

BILL HARRIS: Yeah.

BRUCE PRATHER: Yeah.

BILL HARRIS: So---.

SHARON PIGEON: And that's the problem. You know, this is just one of those unfortunate things and the Board, like we had last time where you had some controversy and then the Board did not make a motion and go forward. We have this matter and it was pooled. They discovered this land that had not been included, so they came back to repool it. Well, at the same time, Mr. Sheffield came complaining about his election option notice that he said was not legible. You know, looked at those. Well, they...during this sort of controversial hearing, we all lost site of the fact that the repooling application was what was originally there and that needed to be acted on because we have these two tracts that hadn't been included. Originally, CNX wanted to just repool those two tracts and Bob Wilson and I both said, you have to repool the whole thing. That's where, you know, were back and forth, back and forth. Like David says, it's somewhat garbled in the record, but that's understanding and recollection of how we got there. But the Board lost track of the repooling part of it when Mr. Sheffield and Mr. Glubiack were going on about the size of the notice. So, it died for a lack of a motion. But the operator could not pay under the old order because they knew

that didn't include tracts that were getting moneys. So, they put the money in suspense and it has been earning interest. They pay interest on suspense accounts. A suspense account is how they handle something where there's not a Board order to direct the escrow agent. The escrow agent will not handle that money without an order. So, we can't direct them to pay it to the escrow agent because they're not set up to put things in suspense. But we need to get them back in here and get that order done---

DAVID ASBURY: The repooling.

SHARON PIGEON: The repooling order to reflect the tracts. And there's I don't think any other way to do it except do it as a repooling application and new election times are extended and, you know, they're not going to be happy that we have to go back to square one. The last time they recognized where they were when the Board didn't have a motion and they sat and explained to you all we need to do such and such and you all modified your action and did pass a motion for the part that was agreed upon. That's what should have happened then and it did not happen then and that's how we got to this situation.

MARY QUILLEN: We can make a motion that on that particular transaction, whatever the number is...do I need to say the number?

KATIE DYE: I think it was June of '08.

DAVID ASBURY: It would be for VGOB-06-321-1598-01 or 02. 01 died for the lack of a motion. So, do we put 01 back on that or do we do an 02?

SHARON PIGEON: I don't know what those docket numbers refer to. What you need to do is get that gob unit back in for repooling? So, whatever the---.

DAVID ASBURY: Okay. The repooling would be an 01. It would 06-321-1598-01.

MARY QUILLEN: Okay, my motion to include that docket... VGOB docket number go back to the operator to file a new application for repooling including those two units that were not included in the original Board order and proceed from there. I don't think we need to say anything about payment because it will be...payment will be made into escrow.

BUTCH LAMBERT: And would you like to include in your motion to extend the election dates?

MARY QUILLEN: And to extend the election dates as in the original application.

BUTCH LAMBERT: Okay. So we have a motion.

BILL HARRIS: Second.

BUTCH LAMBERT: A motion and second. All those in favor, signify by saying yes.

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

DAVID ASBURY: Thank you.

BUTCH LAMBERT: Just for information, this is one of those units that we have been reading about in the paper that caused so much grief that never received funding or never received money. It's this SGU3.

MARY QUILLEN: Uh-huh. Of course.

BRUCE PRATHER: Well, I keep reading about these ones of a million dollars. Is there any such account that's underfunded by a million bucks?

BUTCH LAMBERT: No.

BILL HARRIS: No, I think that was...I think that was collectively.

SHARON PIGEON: Yes. I think it was a collectively---.

BILL HARRIS: I think it was several. I don't think it was one particular---.

DAVID ASBURY: Thank you all very much.

BUTCH LAMBERT: Okay. Anything else from the Board?

MARY QUILLEN: Thank you.

BUTCH LAMBERT: Okay, we're adjourned.

I, Sonya Michelle Street, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 13th day of May, 2010.

NOTARY PUBLIC

My commission expires: August 31, 2013.