

IN THE COUNTY OF RUSSELL

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

JUNE 15, 2010

APPEARANCES:

**BOARD MEMBERS:**

MARY QUILLEN - PUBLIC MEMBER  
DONNIE RATLIFF - COAL REPRESENTATIVE  
BRUCE PRATER - GAS REPRESENTATIVE  
KATIE DYE - PUBLIC MEMBER

**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 a little bit after 9:00 o'clock. It's time to begin our proceedings this morning. I'll remind you everyone please take a seat. I'll ask that you keep the noise level and the talk to a minimum. We are recording this session and the talk that we hear in the audience is picked up by the mic and it's hard for the transcriber to hear actually what's going on. Also, I'd ask if you have cell phones, pagers or other electronic devices to please turn those off or put them on vibrate. If you have to take a call, I'd ask you to please take those calls outside. At this time, I'd ask that the Board introduce themselves beginning with Mrs. 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: I'm Butch Lambert with the Department of Mines, Minerals and Energy.

DONNIE RATLIFF: Donnie Ratliff with Alpha Natural Resources representing coal.

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

MARY QUILLEN: Mary Quillen, a public member.

BUTCH LAMBERT: Thank you. At this time, we'll enter into public comments. As we said last month, this is a public comment period. It's not a question and answer period. The Board will not be answering questions. If you have questions on a particular unit or any other particular issue, I would ask that you call David Asbury's office and make arrangements with Mr. Asbury to discuss any of your concerns. The first person on the list, I believe this is Mitchell Counts.

MITCHELL COUNTS: Yes, sir. All of mine are questions.

BUTCH LAMBERT: Okay, Mr. Counts, if you'll call Mr. Asbury's office and make an appointment, we'll try to get those answered for you.

MITCHELL COUNTS: Do you have that number?

BUTCH LAMBERT: (276) 415-9670.

MITCHELL COUNTS: Thank you.

BUTCH LAMBERT: I think it's Mitchell Counts.

MITCHELL COUNTS: Yes.

BUTCH LAMBERT: Okay. We've got you signed up twice.

MITCHELL COUNTS: Yeah. (Inaudible.)

BUTCH LAMBERT: All right. Thank you. Catherine Jewell.

CATHERINE JEWELL: Good morning. My name is Catherine Jewell and I'm submitting comments on behalf of myself. My first comment is that it appears from some of the docket items that operators are continuing to submit and even receive approval for well permits prior to obtaining approval for pooling from this Board. In many cases, the well is already in production before the operator submits a pooling application and in some cases they never have or apparently intend to pool the well. Although the odds of this Board not granting an application, it appears to be comparable to me winning the lottery. It is still not in keeping with the letter or the spirit of the law and is trespassing on the gas estate.

45.1 of the Code 361.29 states, "No permit or permit modification shall be issued by the Director until he has received from the applicant a written certification that (i) all notice requirements of this article have been complied with, together with proof thereof, and (ii) the applicant has the right to conduct the operations as set forth in the application and operations plan." Unless an operator has obtained leases or permission from all parties that are legally entitled to royalties from the proposed operation, that is has 100% of the unit is voluntary or has received approval for pooling from this Board. He does not

have the right to conduct the operation. The DGO should not issue any permit applications until the operator does, in fact, have that right. I note that back in 2008 and probably a few times in 2009, I mention the fact that my family owns unleased property in unit J-39. That has never been pooled. J-39 itself has been pooled. J-39A and J-39B have not. J-39 went online February of 2004. J-39B went online in April of 2007. I would like to know even though this is a question...it's not a question because I will not expect an answer. I would like to know if and when these wells will be submitted for pooling.

Comment two, the Gas and Oil Act and regulations apply to all wells and units in the Commonwealth regardless if they are 100% voluntary units or have been or should be forced pooled. I recently looked back at a block of 36 units in the Whitewood area. These were standard units and not associated with current underground mining or gob gas. The unit has anywhere from zero to four wells each. Production ranged anywhere from zero to 1,438,000 mcfs. Although, many of these units started producing about ten years ago, 17 of them had already exceeded the upper limit of the estimated production stated in CNX's standard applications, which is 550 mmcfs. The Board approved increased density for 22 of these units on March 15, 2006. Interestingly, as can be seen in the chart, which is

attached, 9 of the...on the last page, 9 of these units already had additional wells producing prior to the Board's approval. Some unit had wells that had been producing for three years by the time application for increased density was approved. Of the 14 remaining units, all but one of the units have more than one well and I found no record that the Board approved any increased density for those units. Section 45.1-361.20 states, "Unless otherwise provided for by the Board, after an application for a hearing to establish or modify drilling units or pool boundaries has been filed, no additional wells shall be permitted in the pool until the Board's order establishing or modifying the pool or units has been entered." Clearly, this was done improperly. Now, last month I noted that in March 2010 CNX submitted a request for increased density for two units, WWW-21 and XXX-21. This Board granted it apparently unaware that the DGO had already permitted these operations and all four wells were producing. On today's docket CNX has another application for increased density. Of those units, three already have a second well in them and nine have no wells. I think with increased density, you want to make sure that the units all have a well before you honor an increased density. The operators have presented evidence that amounts to more wells installed the faster the gas can be drained. With some of these units, it's true. The

second well does increase production of the first well. However, this looks to be a short-term effect and production in both wells appear to drop off more dramatically than where one well is installed. What no one seems to ask is whose gas is being drained? How can you protect correlative rights when there are two or more wells located to a unit...in a unit which is located next to one with zero or one well. I've got the minutes there of that pooling application that I cite.

Comment three, some operators are continuing to submit requests for variances for a conventional well to allow them to be closer than the 2,500 foot requirement from an existing well. Previously, I submitted comments and drawings showing how circular units inevitably exclude property or portions of property in poolings units and as such deprives the owners of royalties. Circular units worked well when there were a few wells or when the unit was on a single large tract. Edwards & Harden proposed a number of conventional wells in the early 1990s in the Whitewood area. The operator and the Board designed these units in such a way that no property was excluded from the units. That is that no space was left between units and no overlap occurred. The wells complied with the minimum statutory spacing 2,500 feet between wells. But the shape of the unit was modified in order to protect correlative rights. Square

units make far more sense, but still the well must comply with the minimum statutory spacing unless there is ample scientific evidence provided to justify a smaller unit or for locating wells closer than 2,500 feet from the existing well.

Comment four, according to the docket and to notices in the paper there are quite a few pooling applications for Yellow Popular. I suspect that the increased density requested by EQT probably covers some of the Yellow Popular units. The requirements for pooling are in Section 45.1-361.21. "Pooling of interest and drilling units. A. The Board, upon application from any gas or oil owner, shall enter an order pooling all interests in the drilling unit for the development and operation thereof when:

1. Two or more separately owned tracts are embraced in a drilling unit;
2. There are separately owned interests in all or part of any such drilling unit and those having interests have not agreed to pool their interests; or
3. There are separately owned tracts embraced within the minimum statewide spacing."

If Yellow Popular owns 100% of the gas interest in this unit

and when you consider Section 45.1-361.21(1) of the Code of the Virginia, which states a conveyance, reservation or exception of coal shall not be deemed to include coalbed methane and nothing in this session shall affect the coal operator's right to vent coalbed methane for safety purposes or release coalbed methane gas in connection with mining operations. It would seem that this Board cannot continue to pool these units without violating the letter and spirit of the law. I don't think you can pool a unit that has a 100% gas ownership by Yellow Popular.

Comment five, I would like to remind the Board of the section which I just cited. "A conveyance, reservation or exception of coal shall not be deemed to include coalbed methane gas." The law of Virginia is quite clear with respect to ownership of coalbed methane. The owner of the coal in its entirety or of one or more seams of coal does not own the coalbed methane regardless if the coal owner conveyed the coalbed methane or the rights to obtain the coalbed to the operator. A basic premise of property law is you cannot convey something you do not own. Since the coal owners do not have any ownership interest in the coalbed methane, any lease agreement between the coal owner and the

operator purporting to lease the coalbed methane is inconsequential. This Board and the DGO should require the operators to list the ownership of the coalbed methane in accordance with the laws of Virginia. Any application that incorrectly lists the conflict where no conflict exists should be rejected outright.

Thank you.

BUTCH LAMBERT: Jamie Hale.

JAMIE HALE: Good morning.

BUTCH LAMBERT: Morning.

JAMIE HALE: I'm a property owner in Buchanan County. I do have one question and I was wondering if you had heard from the Attorney General yet on how the Board is to proceed with Senate Bill 376?

BUTCH LAMBERT: That's a good question, Mr. Hale, and I will answer that question for you. The answer is no we have not.

JAMIE HALE: I have a comment too. I mean, we've been going through this a long time. I know as the Board, you know, you all on the big business side. You know...but you have to feel the frustration as a land owner, I mean, because I've went to several meetings through the years and I've always been told it's a matter of deed language...you

know, how your deed reads. Well, we've had the deed language for years and we thought in April when Senate Bill 376 was passed that the law would be on our side. I mean...and it seems with deed language, the law that's passed...I mean, the Board says they don't have the authority, let's see, you know, to make a determination. The Board don't have to decide. The Supreme Court decided, you know, in certain cases. But this right here, it's Chapter 45.1-361.14. It says, "Meetings of the Board; notice; general powers and duties" And this was taken from the 1990 Gas Act. It says, "B. The Board shall have the power necessary to execute and carry out all of its duties specified in this chapter. The Board is authorized to investigate and inspect such records and facilities as are necessary and proper to perform its duties under this chapter. The Board may employ such personnel and consultants as may be necessary to perform its duties under this chapter." And Senate Bill 376 was amended to that Chapter, I suppose. "The Board may employ such personnel and consultants as may be necessary to perform its duties under this chapter." I mean, I don't...you know, I know that you're probably wanting to protect the Board, but I don't see as how you even need the Attorney General's opinion. It seems to me like it's a clear case that you could just follow the law on this. I mean, I don't understand. I'm

just...it's a very difficult situation when, you know, you all sitting here...I mean, I'm not against the gas industry. I'm not against the coal industry. People in this area needs these jobs. There's a lot of people that would be affected if we didn't have those jobs. But all I'm saying is the land owner needs to be paid what's rightfully his by law. When you have all of the documentation...I mean, I took off work to be here this morning. My family needs every hour I can get. I got 22 hours last week. I mean...but I think this Board needs to try to reform its...the whole as a Board to try to do something to help the people for a change. I mean, this...this has gone on long enough. There's too many people...Jerry Grantham stated that there was only 5% made up these escrow accounts. If there's one land owner that's in there wrongfully then, yes, it's a problem. I don't care if it's 5% or one person it's a problem. It needs to be worked out immediately. Thank you.

BUTCH LAMBERT: Terry Hutchinson.

TERRY HUTCHINSON: I've got questions. I'll call him.

BUTCH LAMBERT: Okay. Thank you. Cathy Keen.

CATHY KEEN: Questions.

BUTCH LAMBERT: Jim Sparks.

JIM SPARKS: Just questions.

BUTCH LAMBERT: I'm not sure of this last name.

Dorothy---

DOROTHY: (Inaudible.)

BUTCH LAMBERT: Roscoe Hubbell.

ROSCOE HUBBELL: No comment.

BUTCH LAMBERT: Okay. Public comment period is closed. Docket item number two is the Board on its own motion will consider an order requiring operators with moneys in or due the Board's escrow account provide an annual reconciliation for each unit. This is docket number VGOB-10-0615-2752. This was an issue that was brought before the Board at the close of our last meeting. Board Member Ratliff raised the issue for discussion. So, I'll ask Mr. Ratliff if he will open the discussion.

DONNIE RATLIFF: Thank you, Mr. Chairman. I just feel like it would...it would help us reconcile these accounts and the easiest person or the persons who have all of their information and most likely to do that would be the operator. But if they could reconcile their escrow accounts annually and this is June. You know, the original thought was the year would end December 31 and we would ask for it on July 1. For last year, we're so late into this year. Maybe a date of October 1 if somebody wants to address the problems to see if that's a reasonable date to look at all of your escrow accounts and provide us some documentation

that the moneys are where they're supposed to be at least from your accounting standpoint. If that's unreasonable, somebody needs to tell us. If not...I'll make that in a form of a motion that we...if any of the Board members want to chime in. I'd make that in the form of a motion that the operators would provide us with an reconciliation of the escrow account for 2009 and it would be due October 1 and for 2010 it would be due July 1 of 2011. That gives them six months. We'll go forward from there.

BUTCH LAMBERT: Any discussion from the Board?

KATIE DYE: I just have one question, Mr. Ratliff. Could you elaborate a little bit more on what exactly you mean by a reconciliation?

DONNIE RATLIFF: That the moneys that should be in each account is in each account. That's all I'm asking for. Provide us documentation that the escrow moneys that was due the account has been paid.

BRUCE PRATHER: I've got a question. Do you think this should be notarized if, in fact, it goes into effect?

DONNIE RATLIFF: They're going to notarize it on the best of their ability.

BRUCE PRATHER: Yeah.

DONNIE RATLIFF: I don't know that you can---.

BRUCE PRATHER: What you're asking for is a document that we can have some reliance on and one of the

ways you can have reliance on is, I think, is have it notarized. Have some sort of assurance that, you know, it's not being---

BUTCH LAMBERT: Donnie, are you asking that this be a certified public accountant reconciliation or just---

DONNIE RATLIFF: No, I'm not. I'm not. I'm open to your all's opinion. I just want to see...I just want some confidence that the moneys that should be paid in to each account is there.

BUTCH LAMBERT: Do you have another question, Mrs. Dye?

KATIE DYE: Yes, I do. I guess I just need to further maybe understand a little more about what Mr. Ratliff is saying. Are we saying that based on production less post production costs?

DONNIE RATLIFF: Yes.

KATIE DYE: Okay. So, you're asking them to show what was produced less post production costs or any other charges?

DONNIE RATLIFF: I'm asking him to assure us that the money that was due account has been paid into the account.

KATIE DYE: And, I guess, what I'm trying to understand is what is the process here?

DONNIE RATLIFF: Well, I think post production

costs we've battled that back and forth. I'm not sure we ever solved it. It has been accepted by the Board. So---

KATIE DYE: So, what you're saying is based this on the mcf of gas that is produced, the percentage of ownership in the units---?

DONNIE RATLIFF: Right.

KATIE DYE: ---minus post production costs?

DONNIE RATLIFF: Minus post production costs.

BRUCE PRATHER: I've got a question, please. Would any of this be a redundancy of anything that Mr. Osborne does?

DONNIE RATLIFF: Asbury.

BRUCE PRATHER: Asbury does.

DONNIE RATLIFF: I think---

BRUCE PRATHER: I mean, could---?

DONNIE RATLIFF: -to me it would help Mr. Asbury.

DAVID ASBURY: I believe it would help the Board as well as the Division if the...if that's certified and give the Board an annual feeling that what they see and what has been put into the account is accurate and it gives another tool for the Board to ensure that payments are in place.

KATIE DYE: Would it not also give another tool for the bank to work with?

DAVID ASBURY: The Board needs to be satisfied and what documents or what process that's necessary for the

Board to be satisfied that the escrow account is being properly funded and/or disbursed by staff. Anything that helps the Board and its members get that feeling would be of help.

MARY QUILLEN: Mr. Chairman, I have just one comment, I guess,---.

BUTCH LAMBERT: Ms. Quillen.

MARY QUILLEN: ---to Mr. Ratliff. This is documentation to verify that the deposits that have been made are balanced with what has been reported.

DONNIE RATLIFF: That's correct.

BUTCH LAMBERT: I hadn't planned on this working out this way, but this afternoon we have a planned presentation and some Power Point information of what the Division and the Department is doing to do a check and balance on the escrow account and some of the programs that we're putting in place. I would like to ask if we could wait until after that presentation to take up this discussion.

DONNIE RATLIFF: Okay.

BUTCH LAMBERT: And continue that---.

DONNIE RATLIFF: I'll withdraw my motion for the present time and we'll reconsider it this afternoon.

BUTCH LAMBERT: What we're talking about here maybe something that we need to build in additionally into those

programs that we're working on.

DONNIE RATLIFF: Okay. I'll withdraw the motion.

BUTCH LAMBERT: Okay.

DONNIE RATLIFF: I didn't know that was---.

BUTCH LAMBERT: Well, it's not on the agenda. This just came about yesterday. Okay, so, we'll hold that until this afternoon after the presentation from the DMME. The next item on the agenda is item number four. We're going to skip down to the Board will receive an update from First Bank & Trust escrow agent relative to future investment options for the Board's escrow account. Good morning, folks. How are you this morning?

KAREN MCDONALD: Good morning.

DEBBIE DAVIS: Good morning.

KAREN MCDONALD: Very well, thank you.

DEBBIE DAVIS: Good morning. I am Debbie Davis with First Bank & Trust Company. I'm the Trust Officer and Administrator for the Virginia Gas and Oil Board Escrow account. I have with me today Karen McDonald who is our investment officer on behalf of our department and the Virginia Gas and Oil Board Escrow Account. I'd like to start out this morning with giving an update on the escrow account administration. As you will see, I have provided

your spreadsheet listing each well unit showing royalty deposits which have been received from the producers that were deposited. The income amount of the interest earned of fees which were taken for the month of April. As you will recall, we run a month behind on ours fees. There were no distributions made in April, but just for the Board's knowledge, there has been disbursements already made in May, which you will see next month. I did leave the correction's column in here. There were no corrections. Then we have the ending market value. The ending market value to date as of May the 31st was \$26,167,937.34.

A few items that I would like to address with the Board. Karen and I met with David and Diane this past week trying to make sure there's smooth communications between us and making sure everything is being reported that you all need to do your job. We're working to make sure there's uniformity of the information on the checks from the producers for us so that we are assured that the moneys are being deposited correctly into the right wells. Which brings up another thing that we are trying to work on is a procedure for checks that are sent to us that are lacking information that we're having to return to those producers

to set up some sort of procedure to confirm that those checks are being reissued and sent back to us in a timely matter with the correct documentation.

BUTCH LAMBERT: I've got a question. How big of a problem is that?

DIANE DAVIS: It's getting better. In the beginning I was returning quite a few checks just because it didn't have a Virginia Gas and Oil Board member on it. And too I would like to have the well number so that I have my checks and balances because, you know, numbers can be transposed. I have my procedures of once I get that check in, you know, I will make sure that it's active well deposited and then, of course, when it's invested into the money market, you know, I double check to make sure those balances are in place. Then too, with the check stubs, when I file them, you know, I'll try to make sure it's around the same amount that we've received the past month or if I'm not receiving something.

BUTCH LAMBERT: But you say it's getting better. Do you think---

DEBBIE DAVIS: I've not returned as many checks last month as I did the first couple of months.

BUTCH LAMBERT: Okay. Okay. Are you having communications with the companies on what's lacking?

DEBBIE DAVIS: Well, and my concern is I have no way of knowing if those checks have been included in the amounts of the next month's checks, the next couple of months checks or if, you know, they are acting upon to have them reissued. I have no way of knowing that.

BUTCH LAMBERT: Again, it goes back to our discussion that we just had.

DEBBIE DAVIS: Exactly. You know, they may say they're issuing me 250 checks in this amount, but I'm only showing 200 checks in this amount. So, it would be another helpful step for us to make sure that we are receiving everything. Things do get lost in the mail and that is another discussion that we have started...I've actually started with EQT. I spoke with Mr. Rick Grites yesterday of maybe even trying to set up an ACH process and an electronic transfer of the information per check because late yesterday afternoon the mail was delivered and I received about 250 checks in individual envelopes and, you know, not only would the ACH be a cost savings for the producers, it would be a guarantee that, you know, things are getting to me in a

timely matter because there are some instances we get the majority of the checks on a certain date, but there will be a few for whatever reason that the post office has delayed in getting to us, you know, that we could get those up to a week to two weeks later, which it's nothing against the producer or us because they're dated the same and they're post marked the same. You know, it's just the postal service.

BUTCH LAMBERT: Is there anything beyond the discussion that we just had with Mr. Ratliff's motion that could improve the process for you?

DEBBIE DAVIS: I do want to work with the producers to make sure that they are listing that Virginia Gas and Oil Board number and also maybe if we could start getting that well number on there as well and that's just an extra step, you know, that I have on my records that I can confirm that I am posting properly to each individual well for each of the owners.

BUTCH LAMBERT: I'll ask Mr. Asbury if he will prepare a memo to send to the operators from the Board just reminding of what information should be on those checks before mailing them to the bank.

DAVID ASBURY: Yes, sir, it will be done.

DEBBIE DAVIS: Which like I say, we are---.

MARY QUILLEN: Mr. Chairman, I have just one question before you gone onto that. Have you discussed this electronic transfers with the operators at this point?

DEBBIE DAVIS: Actually, EQT was the...we're kind of...since this is a new process, we thought we'd take it one at a time to see how it would work and since EQT at this time does send me individual checks in individual envelopes by the mail, we figured they would be our first source to start. I know CNX they will produce their checks just bundle them and put them in a Fed Ex box and they all get delivered by Fed Ex on the same day in one box. So, we thought we would start with EQT and see if we could maybe work with David and Diane and get a process set to make it easier for them and for us. So, those discussions have been---.

MARY QUILLEN: This would be much more efficient for...probably for you all and for the operator.

DEBBIE DAVIS: Yes.

MARY QUILLEN: One question, does the same person process this information or is the same person responsible

for getting that from the operator to you or is there a...or multiple people that are involved?

DEBBIE DAVIS: It's my understanding that the producers out source this to a third party. That has been my understanding just with my talks that I had yesterday. So, Mr. Grites was going to go talk to a couple of other people in his organization and then maybe talk with their third party and then get back with me and see what process we could work out together.

MARY QUILLEN: All right. Because the more hands that touch it, the more chances there's going to be---

DEBBIE DAVIS: Right.

MARY QUILLEN: ---something that will go aery.

DEBBIE DAVIS: But my main concern is to make sure that we are getting them and they are being deposited to the correct person or the correct well.

MARY QUILLEN: Well, the checks that you get that don't have all of the required information, is this just random from all of the operators or---?

DEBBIE DAVIS: Yes.

MARY QUILLEN: ---is it consistently coming from one or two or is it just kind of a random thing that kind of

slips by?

DEBBIE DAVIS: I would say it's a couple---.

MARY QUILLEN: Okay.

DEBBIE DAVIS: ---of the larger ones.

MARY QUILLEN: Uh-huh.

DEBBIE DAVIS: Which they have a larger mass of it--  
--.

MARY QUILLEN: Exactly.

DEBBIE DAVIS: ---and, you know, it could  
easily...but the majority of them will have it set up in  
their address when it's payable to us. So---.

MARY QUILLEN: Right. Do you know if that third  
party that's actually processing this has been advised or  
that all of this information gets to them from the operator  
or do they...do they have some knowledge of, you know---?

DEBBIE DAVIS: I honestly...I do not know. But one  
of...you know, one of my concerns that I stressed to David  
and Diane, you know, I do keep a copy of those checks and my  
correspondence where I'm sending it back, but I have no way  
after that---.

MARY QUILLEN: Of tracking what---?

DEBBIE DAVIS: ---of tracking if it gets back to

me and if gets back in a timely manner.

MARY QUILLEN: Right. And that, again, really supports the urgency of the electronic transfer because if they...and maybe have a mechanism set up that it will not transfer if it doesn't have all of that information required.

DEBBIE DAVIS: Well, with that the transfer would hit our account and then they would need to provide us their information breakdown. I had provided you all, I apologize that I didn't bring it back with me today, copies of the checks and the information that I receive. I know initially Mr. Grites had said, well, then, we'll just mail you that information and it's like, you know, that should be hopefully something easy that you could put in a..print to a PDF and send it electronically to me by email.

MARY QUILLEN: Exactly. That's what I was going to suggest is also have that as an electronic transfer...PDF that would get that to you---

DEBBIE DAVIS: Yes. Because that's going to defeat our defeat purpose of trying to cut down the paper and the postage.

MARY QUILLEN: Exactly and they would both arrive

at the same time if you got them---

DEBBIE DAVIS: Yes.

MARY QUILLEN: ---electronically and they could be matched up one on one.

DEBBIE DAVIS: Yeah. So, that is something that we are actively starting to work on to help with that process.

MARY QUILLEN: So, depending on how the pilot goes with EQT is going to determine how quickly you could move forward with your---

DEBBIE DAVIS: Right. And like I say, we're still in our initial stages of talking---

MARY QUILLEN: Right.

DEBBIE DAVIS: ---to see how we can reach our goal of what we're wanting to do to make sure that it is done properly.

MARY QUILLEN: Well, I agree. You need to pilot it for you initiate it across the Board to all of the---

DEBBIE DAVIS: Right.

MARY QUILLEN: ---operators to get all of the bugs out.

DEBBIE DAVIS: Right.

MARY QUILLEN: Good job.

BRUCE PRATHER: I've got a question. How long will the pilot process be in effect before you decide that the thing would work? Would this pilot process be six months or a year?

DEBBIE DAVIS: Well, I would say we would need to start the pilot first. We're just in our initial talks. So, we're---

BRUCE PRATHER: Okay.

DEBBIE DAVIS: ---trying to figure the procedures of how it should work and then I would think after maybe three months of it working, you know, work out all of the kinks and then we can then go to the other producers and say, okay, this is how we're doing it with them. How can we work with you and your third party or if it's in-house to achieve the same goals? And then that way we would have, if it did come in electronically and say they provided us money for a well that had not been approved by the Board yet to be receiving moneys yet or if the order had expired, then we would go ahead automatically that same day and electronically send it back to them and say with electronic email stating this has been rejected and these are your reasons. You know, these moneys will either...the order

needs to be approved by the Board, you know, or if we've not received the documentation...you know, if we've not received the documentation for these moneys so we are not accepting them.

MARY QUILLEN: Do you all get any kind of a reconciliation at the end of each calendar month from the operators or do you all just reconcile monthly in-house there?

DEBBIE DAVIS: Monthly in-house. I have nothing from the producers letting me know exactly what they have sent out.

MARY QUILLEN: And when we were looking at this at, you know, an annual reconciliation, would it be more helpful to you all if you got something from them monthly to compare to what your reconciliation---?

DEBBIE DAVIS: That would be another check and balance to confirm that what they've stated has been sent out that, yes, we have received it.

MARY QUILLEN: This...we might include this in this afternoon discussion.

BUTCH LAMBERT: Absolutely.

DEBBIE DAVIS: And my next request is the new

arbitration ruling that will be going into effect is how we should work with that. It's my understanding that all income earned or interest earned should be allocated over to the arbitration, and please correct me I'm wrong, and I'm wondering do I need to carry that as a separate line item and continue maybe with a separate spreadsheet allocating out what the allocation per well is in case we ever need to go back and back track if the process doesn't work so we know, okay, this well actually earned this amount of income in this separate escrow. How...how do you all recommend that easily you all see the process---

BUTCH LAMBERT: Well, that's a very good question. Our policy person is in the audience today. Mr. Skiffington can probably address where we are in developing that rule to this point. We're still in the early phases.

DEBBIE DAVIS: Okay.

BUTCH LAMBERT: And I don't think that we're to the point of directing you how to set up the account for the interest earned at this point. Would you agree, Mike?

MIKE ABBOTT: Yes.

DEBBIE DAVIS: Okay. So, at this stage, I need to continue as I am until I get orders from you all to do

otherwise?

BUTCH LAMBERT: Yes.

DEBBIE DAVIS: Okay.

BUTCH LAMBERT: I think...Donnie, did you have a comment?

DONNIE RATLIFF: In the discussions in making the...in putting the Bill together, I'm not sure we discussed individual accounts. I think the thought pattern there was and it may not work this way, but it would be pulled from the interest of the entire escrow account.

SHARON PIGEON: The accrued, that's what it says.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: In our discussions with First Bank & Trust knowing that the arbitration process was effective July 1, we discussed more or less like an interest suspense account beginning July 1 and...because they go through an interest allocation to all of the units on a monthly basis, interest income. And with the arbitration process being put into place July 1 and we have been contacted by an individual who is considering the arbitration process. I understand it that then a determination has to be made if

there are money in the escrow account from interest to pay for that arbitration. So, our discussions were that maybe it was the right thing to do on July 1 that she begins accruing the interest rather than monthly allocation so that it gives us a single point of knowledge of how much interest is in the escrow account for the arbitration process. That was segment A.

Segment B was what Debbie has talked about being going ahead and actually allocating it as if it happened so that if we have to back track five, six or seven months from now, we'll know how much should have been allocated to each unit. But---

DEBBIE DAVIS: And to taking out our fees because, you know, our fees are taken out of the interest earned and plus the audit fees should be taken out of that as well.

DAVID ASBURY: So, we...if she accumulates the interest income for the whole account like Mr. Ratliff spoke of, then monthly fees would come out...the audit fees would come out and there would be a net accumulative interest income that then we could look at for the arbitration process.

BUTCH LAMBERT: I think that's a good thought train

or thought pattern to use. I'm just not sure at this point that we can give you directions on how to do that here today.

DEBBIE DAVIS: Okay.

SHARON PIGEON: She may not be aware that the Department is working on emergency regulations. Those regulations will flesh this out with more detail. We agree that you can't look at that statute and know what to do today. It's just too general.

DEBBIE DAVIS: Right. Okay.

SHARON PIGEON: But more detail is coming and that's part of what Mr. Skiffington is working on. When those regulations are presented to the Board for consideration, you'll have, I think more direction on how to proceed.

DEBBIE DAVIS: That's fine. I just...I didn't want it to...if it was truly everything needed to start on July the 1st, I wanted to be prepared on how I could---

SHARON PIGEON: I'm glad you're thinking about that. We hope to give you a little more help on your thought process though.

BUTCH LAMBERT: And I would think that when those

regulations are presented to the Board for comment, we...I would see us coming to you and getting your input---

DEBBIE DAVIS: Okay.

BUTCH LAMBERT: ---and getting your input on whatever it is that we think might work.

DEBBIE DAVIS: Okay.

BUTCH LAMBERT: We certainly don't want to give you some directions that might not work with your systems or how we would proceed to do that.

DEBBIE DAVIS: Okay. That's fine. I just thought we should go ahead and address it in case we did need to go ahead and get something in place since we are coming up on that July the 1st date.

BUTCH LAMBERT: Well, thank you for doing that. We appreciate that.

DEBBIE DAVIS: I think that is all at this time that I had on the administration accounts. So, I'll turn that over to Karen.

KAREN MCDONALD: I wanted to address the statement of investment policy one more time with you all and explain again that this is a draft that we are presenting. It is a contract of sorts. It is in CPA language an engagement

letter where we understand what each other's responsibilities are and I would like to suggest that the Board make an effort to read this and in July at our meeting in July to give us final approval of this investment policy. I will review it again. We drafted it in December and there may be some small things that we have changed in the way that we are proceeding and investing in the frequency of our meetings with you all. But the heart of it should not cause any problems for anyone. But I would...I would greatly appreciate it and it would give us a comfort level. It would give, I think, everyone a comfort level to have this finalized in July. So, if I might ask that and in the interim if there are any questions, you can certainly contact us and we can bring a slightly revised document to our July meeting.

And then the next tab, I would like to formally state that the FDIC coverage of the interest bearing account that we have you fully invest...the funds of the escrow fully invested in right now has been extended through December the 31st of 2010 with subject of renewal up through December of 20...December the 31st, 2011. The maximum...Mr. Leeton Harding apologized for not being able to be with

us...with you all today. But he did make the point that the 25 basis points that you...the quarter of a percentage point that you're earning on your funds are the maximum rate allowable under this program. So, we're giving you the full benefit of the coverage at the highest rate of return on the moneys invested. Any questions on that FDIC coverage?

(No audible response.)

KAREN MCDONALD: And in light of that and in light...we have...we have continued month to month to just keep the full amount of the escrow funds. I've used the estimate of 26 million in the interest bearing money market account, which to-date if you go to the last page of the scenarios, has earned an estimated \$31,250 through June. In light of arbitration issues and audit expenses, I would like to encourage the Board to think about taking the next step in investing some of these funds. That will take us back...so, if we continue on the path that we are on, we will earn approximately \$61,000 or \$62,000 of interest on the escrow for the calendar year.

I would like the Board to think about taking the next step and returning back to the July the 1st through September the 30th presentation. I would like for the Board

to consider investing in the CEDARS program as I have presented. This, again, is FDIC insured. I do have to make you aware that the interest environment has changed to the negative as far as returns available on certificates of deposit over the last couple of months. This is related to European issues. They're buying our Treasury debt. So, what can be earned in secured investments has dropped dramatically. Whereas before, we were offering for one year a CD rate of 1%. Now, we can only offer a CD rate of half a percent for six months and 65 basis points or you can divide that less than a percent for one year. We present these rates for this time period of six months and for a year because we understand that no one knows the liquidity needs of the escrow over long periods of time in light of new legislation and in light of arbitration. We would love for all of these moneys to be able to go to the owners over the next couple of years. So, we're not asking or proposing an investment long term. Hopefully, rates...interest rates will return to better levels in 2011, but there are many factors affecting that projection.

So, I am encouraging the Board to take the step to at least double the return on some of the moneys and do it

in a laddered approach and to do it for a six month period and a twelve month period and start with this next quarter of July to Oct...July through September of doing...I've just purely provided estimates of a 90...\$980,000 six month CD. It would double return on that amount of money and to do three each month, July, August and September, to purchase four CDs under the \$250,000 limit that's FDIC insured. That's why we're not using a million. We're using 980. That's 240 times 4. To purchase four CEDARS program CDs over a three month period for a six month maturity and three for a twelve month period in this next quarter committing 5.8 million to this short-term, a maximum of one year investment. Then the next quarter to do the same investing again every month for the three months do a six month CD and a twelve month CD maximizing the maturity out to December of 2011, which does not create a lot of risk but does invest \$11,760,000 at a better rate than what you are earning now. This is not...this is not really increasing the risk. It's doubling your return and it's offering more return to the accounts and to cover such issues as the audit fees and arbitration issues. Again, that's a proposal to you all and it's subject to your approval. But I would like...I would

like to push in that direction today. I'm happy to take questions about that.

BUTCH LAMBERT: Questions or comments from the Board?

MARY QUILLEN: I have just one to make sure that I understand. That's beginning in July we would start with the six month and the twelve month and it would be four in each, is that correct?

KAREN MCDONALD: Four CDs, \$240,000 is the maximum. Again, that's purely a theoretical number that I have pulled out.

MARY QUILLEN: Right.

KAREN MCDONALD: It puts us, Dr. Quillen, at an 11 million dollar commitment by the end of the year and that's...that's a call for you all to make. How much do you want to commit? It can more and it can be less. But it's...we want to stay under the \$250,000 FDIC coverage---

MARY QUILLEN: Right.

KAREN MCDONALD: ---which extends out through 2013. And so...but we're not asking the Board to commit to long-term maturities.

MARY QUILLEN: And since we do have this

uncertainty about the audit and the arbitration what we don't want to tie this up to where we're going to get in trouble---.

KAREN MCDONALD: Exactly.

MARY QUILLEN: ---financially when those things come due.

KAREN MCDONALD: Yes.

MARY QUILLEN: And we're not investing enough that it...the likelihood is very...very minimal with this investment.

KAREN MCDONALD: Yes. That's what I...that's what I feel and we had this discussion with David and Diane on Thursday what a reasonable expectations for liquidity needs for a one year period. Things do not always move very quickly and we don't feel that's risking it too much.

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

DAVID ASBURY: We're having some trouble. I'm sorry.

BRUCE PRATHER: I wasn't at the last meeting, but I was under the impression on our first meeting that we had sufficient income coming in that would cover the audit plus

your annual expenses that you charge. What I'm hearing today is that instead of it being \$80,000, you say it's going to be \$64,000 for the year. Is that correct?

KAREN MCDONALD: That is...that is the figure that we have been consistently presenting, the 25 basis points on 25 to 26 million. It puts us in the \$60,000 to \$65,000 income range.

BRUCE PRATHER: So, if we accept this new proposal and it goes for the year, then we're going to have \$84,000 or a \$108,000 in the future. Is that correct?

KAREN MCDONALD: We would have approximately \$78,000 income as opposed to \$60,000.

BRUCE PRATHER: The thing that bothers me and, you know, we've had this happened before to us and that is that we've not had enough interest income coming to pay our bills. So, we had to get into the principal. So, what I don't want to see happen is I don't want us to start having to pay our bills out of the principal. I'd very much like to see us get it out of the interest income of these things.

KAREN MCDONALD: And we are very cognizant of that desire to not have to dip into principal. That is one reason we're recommending a low risk option.

BUTCH LAMBERT: Yeah. And we need to correct that one statement from Mr. Prather. To-date, we haven't used any principal. We've always used interest.

KAREN MCDONALD: Correct.

SHARON PIGEON: Accrued interest but never the principal.

BRUCE PRATHER: Yeah, I'm not talking about...yeah. Previously, you know, when we had the deficits we really run into the principal a little bit to pay that off, didn't we?

BUTCH LAMBERT: No, it was previous interest.

BRUCE PRATHER: The previous interest, okay.

BUTCH LAMBERT: Yes, we've always have used interest.

BRUCE PRATHER: Okay.

KAREN MCDONALD: So, that is why we're presenting this. We see some additional expenses coming to the escrow account and we do not want it to get ahead of us.

MARY QUILLEN: That goes back to my question about being covered through using the interest, the investment on those interest. We still will have that interest that we would be able to use for the arbitration or the audit?

DEBBIE DAVIS: Yes. Yes. These---

BUTCH LAMBERT: Just keep in mind that...I'm sorry,  
go ahead.

DEBBIE DAVIS: ---CDs that would be purchased  
under the CEDARS program would still be earning interest  
monthly just as the money market would and would be applied  
as such.

MARY QUILLEN: Right. So, we're still generating  
interest and it's just in a different---

DEBBIE DAVIS: We would just be generating  
additional interest on what we can offer on just the money  
market, but still provide you all with FDIC insurance.

BUTCH LAMBERT: I think what I hear them saying,  
Ms. Quillen is in preparation for the arbitration and the  
audit that we're not sure how much that's going to cost.

MARY QUILLEN: Right.

BUTCH LAMBERT: Keep in mind, the arbitration is  
only with the interest that we have available. If we don't  
have interest available, we don't have an arbitration.

DEBBIE DAVIS: So, this would give you all  
additional funds to work with that.

MARY QUILLEN: Okay. Good. That's---

KAREN MCDONALD: We want the parties of the

arbitration to have the resources they need---.

MARY QUILLEN: Exactly.

KAREN MCDONALD: ---without taking on...not asking the Board to take on additional risks to accomplish that.

MARY QUILLEN: And this would provide some additional interest income that would address that arbitration?

KAREN MCDONALD: Yes, exactly.

DEBBIE DAVIS: Right. Instead of earning the 25 basis points, you could be earning the half of a percent or the point...the 65 basis points.

DONNIE RATLIFF: Mr. Chairman, I think it's a smart move. And you're actually...you're not tying up 11 million dollars for twelve months. You're tying up half of that for six and the other half for twelve.

MARY QUILLEN: Right.

DONNIE RATLIFF: And that's a reasonable number and the numbers that we've seen go out on disbursements does not come anywhere close to that.

MARY QUILLEN: Right.

DONNIE RATLIFF: I feel comfortable with that suggestion.

DEBBIE DAVIS: And like I say, that income would still be coming in monthly for those. So, you know, you would see an increase in your income amounts per month.

BRUCE PRATHER: How much would that be monthly, \$1200?

DEBBIE DAVIS: I'm a banker. I don't have my calculator.

BRUCE PRATHER: I mean, I realize it's coming in over a six and twelve month period.

KAREN MCDONALD: Okay. If we---

DEBBIE DAVIS: I mean, currently we are---

KAREN MCDONALD: If we look at the 21,000 earned in the third quarter and divide that by three. So, approximately \$7,000 a month.

BRUCE PRATHER: Oh, okay. Okay.

DEBBIE DAVIS: Right. Whereas right now we are bringing---

KAREN MCDONALD: We're earning---

DEBBIE DAVIS: ---in 5100 a month.

KAREN MCDONALD: It's not a huge leap, but it is something. We do not anticipate rates staying this low so that come January or even...well, yes, as we talk about

extending this ladder of maturity into 2012 as things mature rolling them in, hopefully, there will be better rates to give the escrow account more return at still the FDIC coverage.

MARY QUILLEN: And this certainly is a significant increase from the money market, the income from the---

KAREN MCDONALD: It's double. It's double plus. So, from 25 to 50 and 65.

DEBBIE DAVIS: But it's still giving up the same coverage---

MARY QUILLEN: Exactly. Good. Well, it sounds---

DONNIE RATLIFF: It's the same protection.

BRUCE PRATHER: Yeah.

BUTCH LAMBERT: Uh-huh.

MARY QUILLEN: Yeah.

BUTCH LAMBERT: Any further discussion?

(No audible response.)

BUTCH LAMBERT: And do I have a motion?

DONNIE RATLIFF: I'll move that we accept the proposal as presented in scenario one, Mr. Chairman.

MARY QUILLEN: 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: Could I ask that you prepare a document that outlines it specifically and send that to Mr. Asbury and then we'll prepare the letter authorizing it?

KAREN MCDONALD: All right. I will certainly do that. And I did want to highlight in the last section I have put supporting documentation regarding the appropriate returns for different investment vehicles and the first is the daily Treasury Bill rates. If you go to the last date of 6/11/2010 into the 26 week column, you'll see that the rate...the Treasury is providing is 16 basis points. So...and for a 52 week period, it's 29 basis points. So, we're giving you the security...the coverage with a much better return. The only thing you're giving up is a little bit of liquidity. So, thank you very much for your comments and I will do that.

BUTCH LAMBERT: Thank you.

DAVID ASBURY: Mr. Chairman.

BUTCH LAMBERT: Mr. Asbury.

DAVID ASBURY: One of the things that needs to be...the Board needs to know is we're committed with First Bank & Trust. We've begun this process of processing and approving it with First Bank & Trust. We communicate frequently during the week. We've established at least a monthly...excuse me, at least a quarterly meeting with Debbie and Karen as far as problem areas to discuss the process and to make any improvements in the process of the escrow account. So, that's something that was not in place previously. We're in the middle of that now and have begun that process.

DEBBIE DAVIS: And I did want to mention one other thing that we had discussed on when disbursements are being sent out. With the orders, you know, we had asked for current W-9s to be in place with those orders. One of the things that we discussed and we didn't know how the Board would feel about it. I wanted to plant the seed for you to think about. For confirmation a lot of times you may have the same name and there's really no way of verifying are we

paying out the correct person by what the order states and just by having a stack of W-9s. Without giving out personal information if per say on those orders when a name is listed as say it was Butch Lambert having the last four of the social security number just a double check that we are properly paying out the correct person because addresses do change. Sometimes there's name changes and there's double way to check that we are paying out the correct person. So, that would be something that I would ask the Board to maybe take into consideration as a possibility on future orders...disbursement orders.

BUTCH LAMBERT: We'll discuss that with our Counsel and see about maybe doing that.

DEBBIE DAVIS: Okay.

BUTCH LAMBERT: Thank you.

KAREN MCDONALD: We thank you for the privilege again. We appreciate it.

BUTCH LAMBERT: Thank you all. We appreciate your time.

BUTCH LAMBERT: Okay. Moving on to item number five on the docket. The Board on its own motion will consider a disbursement of funds for unit Q-40, docket

number VGOB-93-0216-0328. This item was previously heard and approved by the Board on August the 20th, 2002. But the disbursement was never made. The Board...today we need to decide whether to uphold the prior disbursement petition or deny and ask the operator to resubmit the petition. I'll ask Mr. Asbury if he will update the Board on this matter just for background information only in case some of us don't remember 2002.

DAVID ASBURY: In our continuing efforts to look at Board orders and in the process of disbursement, we found that the Board on its own motion considered disbursement of funds from unit Q-40, which was docket number VGOB-93-0216-0328. This item was previously heard and approved by the Board on August the 20th, 2002. To the best of our records, this disbursement was never made. Staff researched the disbursements for 2002 and 2003 and found no evidence of a disbursement for Tract 4. The history that we have in the file is that on March the 12th, 2002 then Assistant Attorney General Sandra Riggs had written an email to CNX asking for research and determine which tracts were escrowed to ensure or to discuss the split agreement that was in place at that time between Martin and Doris Short versus Reserve Coal. On

August the 20th, 2002, the Board heard testimony that Tract 3 was to be dismissed and that Tract 4 was to be disbursed. A disbursement was approved on that date by the Board, but there is no record of disbursement nor petitions of the Board or any other source reflecting those exhibits for disbursement. So, we come forth to the Board as staff requesting CNX provide their current petition for disbursement for Tract 4.

BUTCH LAMBERT: And, Mr. Swartz, do you wish to address this issue?

MARK SWARTZ: Given the fact that it has been eight years. It was approved and it wasn't made. We need to start with exhibits from scratch here to make sure that we get it right. I think that we may have been paying directly pursuant to this order as well. So, I mean, we need to get the math right and it has been eight years. We join in this request to get...we didn't realize that it hadn't been paid either, I think. And so, we would like to get it organized and get it right and come back. I talked to Anita. She thinks 60 days is a reasonable period of time. So, if you could put it, you know, on the docket 60 days from now, we'll get the paperwork and we'll be back and

get this corrected.

BUTCH LAMBERT: August?

MARK SWARTZ: Yes.

BUTCH LAMBERT: Okay.

DAVID ASBURY: We appreciate your cooperation on this.

MARK SWARTZ: Well, it needs to be done.

DAVID ASBURY: We'll be willing to provide our files and work with you on finding out the circumstances here. We...there may be other files that we don't have in the file. But our files do not reflect the disbursement.

MARK SWARTZ: Well, I mean, I...the bank had the money. So, we need to find out what they have and what it pertains to and then our payment records, I think, have been direct. So, it shouldn't be that complicated. It's just a matter of making sure we've got the right number coming out.

DAVID ASBURY: Correct.

BUTCH LAMBERT: Okay. Thank you, Mr. Swartz. We'll continue that until August.

MARK SWARTZ: Great. Thank you.

BUTCH LAMBERT: Okay. Next will call item six. The Board on its own motion will consider corrective

testimony regarding disbursement of funds from Tract 1F, unit AZ-100, docket number VGOB-03-0415-1139-01. Mr. Asbury, would you like to update the Board?

DAVID ASBURY: In our staff research there was...we discovered that the supplemental order that was on file as of November the 17th, 2003 recorded in Book 581, starting on Page 425, the Exhibit E reflected the total escrowed acres of 8.02 in Tract 1A. This acreage differs from that which was reflected in a disbursement approved by the Board on April the 20th of this year for the petition of escrow. Instead of 8.02 acres it reflected 8.344 acres. In the April disbursement petition is also attempting to disburse individuals from Tract 1F. All of Tract 1F which included three and a half acres were shown in Exhibit EE in this supplemental order that was recorded previous in November the 17th, 2003. There should be, according to the supplemental order, no remaining acreage in Tract 1F of this escrow. So, we had a conflict of testimony in April and a conflict of what the original disbursement and supplemental order reflected in 2003.

BUTCH LAMBERT: Mr. Swartz.

MARK SWARTZ: We've talked to David about this and

there are two issues. One is we've got an heirship that continues to kind of evolve that we need to...we need to solve that issue. So, we need an update with regard to the title. And with regard to the acreage issue that he has talked about, we've identified the problem. We've been paying somebody directly based on the split, I think, since...since the initial supplemental was entered. So, we can correct that math. So, we know what the problems are. I'm thinking 30 days works for this one, Anita.

ANITA DUTY: Yes. I just need to work with David---

MARK SWARTZ: Okay. So, if you would continue this for 30 days we should be good on this one.

BUTCH LAMBERT: Okay. This will be continue until July. We're going to take about a ten minute break and then we'll resume at 10:30.

(Break.)

BUTCH LAMBERT: We'll resume with our docket this morning. The next item on the docket is item number seven. It's a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-50...530278, docket number VGOB-10-0518-2710. All parties wishing to

testify, please come forward.

TIM SCOTT: Tim Scott and Aaron Anderson for Range Resources-Pine Mountain, Inc.

BUTCH LAMBERT: Good morning, Mr. Scott.

TIM SCOTT: Good morning.

(Aaron Anderson is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you.

AARON ANDERSON

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Anderson, will you please state your name, by whom you're employed and what your job description is, please?

A. My name is Aaron Anderson. I'm employed by Range Resources-Pine Mountain, Inc. and I'm land tech.

Q. Did you participate in the preparation of this application?

A. Yes, I did.

Q. So, you're familiar with it, is that right?

A. Yes, sir.

Q. Now, we had originally filed this application in May, is that correct?

A. That's correct.

Q. And then we filed a revised application. Can you tell the Board why we did that?

A. We had inadvertently left off V-536732 the first time around.

Q. Okay. So, we've got...we've got that correctly shown on the Revised Exhibit A, is that right?

A. Yes, sir.

Q. Okay. Are you familiar with the ownership of the minerals underlying this tract?

A. Yes.

Q. Okay. Who are the owners?

A. Range Resources-Pine Mountain.

Q. And who operates the P-5 and 536732?

A. EQT.

Q. And you also participate in the operation of that well?

A. Yes, sir.

Q. So, you were an owner and a participant, is that correct?

A. That's correct.

Q. Now, all of the parties that were required to be notified are listed on Exhibit B to the notice of hearing, is that right?

A. That's correct.

Q. And all those people were notified?

A. That's correct.

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

A. That is correct.

Q. Okay. Are you also familiar with the well depth for this particular unit?

A. Well...5,731 feet.

Q. And can you tell the Board why we're seeking a well location exception today?

A. Yes, due to Exhibit AA.

TIM SCOTT: Mr. Anderson is going to be providing the Board with a copy of Exhibit AA to show this well as it relates to the wells for which we're seeking a location exception.

Q. Now, using this particular exhibit, can you tell the Board what's going on with this particular well.

A. As you can see, you can't really get a legal location. It's located between Highway 63 and the McClure River. It's also encompassed by all of the surrounding wells.

Q. Okay. What would be the loss of acreage...undeveloped acreage if we didn't get this application approved today?

A. A 106.96 acres.

Q. And what's the total loss of reserves that you would anticipate if it's not approved?

A. 450 mcf.

Q. So, in your opinion, we don't have any correlative rights issues, is that right?

A. That is correct.

Q. And if the Board grants our application, it will prevent waste and promote conservation, is that also correct?

A. That is correct.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Scott?

TIM SCOTT: That's all I have, Mr. Lambert.

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, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

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

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

TIM SCOTT: Thank you.

BUTCH LAMBERT: The next item on the docket is item number eight. A petition from Southeast Land & Mineral, LLC for pooling of conventional gas unit C-6. This is docket number VGOB-10-0615-2713. All parties wishing to testify,

please come forward.

JONATHAN YARBOUGH: Mr. Chairman, Jonathan Yarbough, Charlie Bartlett, Gus Thornson, Tony Holbrook and Charlie Hale on behalf of Southeast Land & Minerals. Before we start, can we...we'd like to continue two docket items that we have until the next Board meeting if that's okay.

BUTCH LAMBERT: Okay.

JONATHAN YARBOUGH: It's the C-6 pooling docket item 10-0615-2713 and the C-8 pooling petition---

MARY QUILLEN: What item is that, please?

CHARLES SAMUEL BARTLETT, JR.: Eight.

BUTCH LAMBERT: That's eight.

JONATHAN YARBOUGH: The first one is number eight and the second one is number thirty-eight.

DONNIE RATLIFF: Continued until August? Continued until July or August?

JONATHAN YARBOUGH: I can't hear you. I'm sorry?

DONNIE RATLIFF: How far are you going to continue it, July or August?

CHARLES SAMUEL BARTLETT, JR.: Hopefully July.

JONATHAN YARBOUGH: Until July.

BUTCH LAMBERT: Okay, docket item number eight is a

petition from Southeast Land & Mineral, LLC for pooling of conventional gas unit C-6...I'm sorry, I was reading number eight. Let me move down to...eight, is that the one?

JONATHAN YARBOUGH: We'd like to go ahead right now with number nine, which is the establishment of field rules for the Wolf Run Convention Gas Field.

BUTCH LAMBERT: Okay. Let me go ahead and continue these and then we'll jump back in her. Again, docket item number eight, a petition from Southeast Land & Mineral, LLC for pooling of conventional gas unit C-6, docket number VGOB-10-0615-2713 continued until August.

JONATHAN YARBOUGH: July, Mr. Chairman,

BUTCH LAMBERT: July, okay. I'm sorry. Okay, also, calling docket item thirty-eight. A petition from Southeast Land & Mineral, LLC for pooling of conventional gas well unit C-8, docket number VGOB-10-0615-2739. Continued until July. Okay, so, we're going to...you're going to jump into docket number nine, 2714, is that correct?

JONATHAN YARBOUGH: Yes, Mr. Chairman.

BUTCH LAMBERT: Okay. A petition from Southeast Land & Mineral, LLC for establishment of field rules for the

Wolf Run Conventional Gas Field in Washington County, docket number VGOB-10-1615-2714. All parties wishing to testify, please come forward.

JONATHAN YARBOUGH: Mr. Chairman, again, we have Dr. Charlie Bartlett, Gus Thornson, Tony Holbrook and Charlie Hale. If we may---

BUTCH LAMBERT: Good morning, gentlemen.

(Everyone says good morning.)

JONATHAN YARBOUGH: We'd like to start with Dr. Charlie Bartlett. He's going to tell us a little bit about his experience in this industry and this field in particular and discuss the geology of the Wolf Run Gas Field.

(Witnesses are duly sworn.)

BUTCH LAMBERT: You may proceed.

CHARLES SAMUEL BARTLETT, JR.: Ladies and gentlemen, in April I gave you a short version of my past experience. I'm going to lengthen it a little bit this time to give you more of the variety. I began my career and my studies at the University of North Carolina at Chapel Hill where I grew up and received a Bachelor of Science Degree in geology in 1951. Shortly thereafter...well, even before then, the Korean War was going on and I was either going to

get drafted or do what I really wanted to do was join the Navy and I did. I became a Naval Air Intelligence Officer after several months of training and was on an aircraft carrier U.S.S. Valley Forge during the Korean Conflict, they call it. They were shooting live bullets. I call it a war. The experience was enormous working with aircraft pilots and briefing them and debriefing them on missions of dropping their bombs on an AD...out of an AD4 Dive Bomber over targets in Korean.

I thought I was going to stay in the Navy the rest of my life, but three and a half years was enough. I decided to do what I have been studying for and applied for jobs while I was still in the last months of my Navy experience and had a job waiting for me with Superior Oil Company as a...believe it or not, I was a computer before there were computers. That's what that title was and also surveyor for a seismograph crew that was working in West Texas and then a few months later up in Southern Oklahoma I did the surveying for the Shock 1. So, I did the calculations for the party chief to make the maps...the geological maps for prospects in both of those states. However, that was not enough geology to suit me. I wanted

to actually get my teeth into geology. I had had a positive response from Gulf Oil Company to come see them and I did. I walked in and before the day was over, I was hired as a field geologist for Gulf Oil Company. I was with Gulf Oil for six and a half years and did mapping of large parts of Northwest Arkansas. The first structure that I mapped, I later published on in the American Association of Petroleum Geologist of Natural Gas Fields of North America. The well that I had proposed for Gulf Oil on that same structure called the Washspran Anticline was a successful wildcat well and opened the Bonneville Gas Field, which now has over 250 gas wells on it.

Skipping ahead, after the six and a half years with Gulf Oil, I worked J. M. Huber Corporation, an independent company in the same area of Northwest Arkansas primarily. Eventually being promoted to handle all of the Eastern Oklahoma and Northwest Arkansas entire Arcoma Basin. The only reason that I didn't stay with them was because there was a downturn in the oil and gas industry in the '60s and they were...didn't have enough infrastructure in Arkansas to handle all of the gas I was finding for them. I'm putting on a little brag there. But, anyway, I was

quite successful with wells, some of which were farmouts from Gulf Oil Company that I had been with formerly.

So, I took that opportunity and that downturn to get one of those other things out of my system and that was because growing in Shaklehill all of my friends and girlfriends and then there were sons too of professors at the University of North Carolina instilled in me was the desire to be a professor and teach somewhere and sometime. So, I thought, well, it's a good opportunity here to take this break and go back to school and I did. I went back to Chapel Hill. I set the record, I think, for getting a Master's Degree in fifteen months with the geology department there, a Master of Science in geology. I took...my first teaching position was in North Carolina at Pembroke State University. One year there and then I went back to a place I had been to once before, Emory and Henry College, some of you have heard that, I believe, and became the Chair of the Department of Geology. The chair was me. The department was me. We had very brief departmental meetings and all of the decisions were unanimous. Nevertheless, I did enjoy very much teaching the students. I did some consulting. I did a lot of mapping. I mapped

for the Division of Mineral Resources. I mapped two-thirds of Washington County in detail and some of those maps have been used widely to show the geology and structure and faults and so forth of that particular region.

I was...in 196...excuse me, 1979 enticed into going back into the oil and gas industry by a friend of mine that I had worked with Gulf Oil Company who became the Chief Geologist for Hawkins Oil and Gas Company located in Tuscan. They wanted me to move to Tuscan, but I said, well, I've got two girls in school. We're pretty well settled. Can I still work for you here and then fly back and forth to Tuscan and tell you where to buy leases and where to drill wells? That was finally approved and that's when I departed Emory & Henry after having taught there for eleven years. I skipped one important item.

In the middle of mine teaching at Emory & Henry, I applied for a National Science Foundation Fellowship to go back to work on my Doctorate and was successful in receiving one of two awards that year in the field of geology. I went back to...because of convenience, I went to the University of Tennessee. So, I...in about...again, about fifteen months of on site. I got all of my course work done.

Another record that still stands down there and then two summers I finished my thesis, which was a study of one of the gas producing formations in this region. The Price Foundation, which has the Weir Sand in the upper part and the Berea Sand in the lower part. So, I did a very extensive study of that covering all of the area from Pennington Gap to Blacksburg on several repeats by fault. That volume was so thick that I had no trouble at all getting through my orals because the professors didn't want to take the time to read all of it. Anyway, I did work ultimately then for Hawkins Oil & Gas Company as a consultant to them for ten years. About half of my time was spent working up prospects for them in Northwest Arkansas. The first well that we drilled was on the same large structure, the Washspran Anticline, which is 40 miles long and 12 miles wide and drill the discovery well for the Chisenville Gas Field, which now is approaching 300 gas wells in that field. There were along the way three other smaller fields that I was instrumental in developing in Arkansas. But after I became a full-time consultant in 1979, I worked for various companies and in that period of boom I just happened to hit it right hanging my shingle out

at the right point in time. I never ever advertised, but people came knocking on my door and I was juggling clients during that time particularly in leasing in the Valley Ridge area not over in the coal fields, but close to the coal fields in prospect area over in Tazewell County off of the Greasy Creek Field. In that period of time, I was directing the leasing of over a 120,000 acres of properties principally straddling the Interstate 81 corridor in the (inaudible) Ridge. We had prospects ready to be drilled, but we also did drill one well on the Eastern part of the Early Grove Gas Field. The well was located almost on the Washington County/Scott County line. I became very familiar with this Wolf Run Anticline because while I was still teaching I took the Early Grove Field as an independent project to study and tried to decipher what had happened there and see if it had any prospects for future development. Anyway, we drilled one well with one of my clients, the Sourbill well, which was one of the better wells in the field by chance and by luck. But, anyway, that was my introduction to actually drilling the formations that I had been studying in studying the field. We drilled several other wells down in Lee County, oil wells and one

gas well that didn't have a pipeline to connect it. So, it didn't get connected. Since they're awaiting that possibility of recovery. We drilled two wells. I had input in on the Wolf Run Anticline. The client that I had that leased here in Washington...leased in Washington County about 65,000 acres transferred his leases and the whole prospects that were drawn up to a Canadian Company and they drilled the Blake well, which is in about the center of the Wolf Run Anticline. That was drilled in 1981 and had a gas show at about 4,000 or 4500 feet. I haven't got the logs and everything here with me to recollect precisely. But we had a gas show of over one-half million cubic feet of gas per day rated in that well. There were some land problems that we had to deal with in that location. The company that the prospect area was sold to a Canadian Company did not complete the well properly. In fact, they did not even perforate my recommendation of the zone that had the good gas show. I'm still puzzling over that today. There's some suspicions I have that they did not even intend to make a well out of it. You can go from there with your own brain as to what might have happened. Three years later the second well, the Headingshure well was drilled about three

quarters of a mile east of the Blake well. That well was ultimately completed and pipeline run to it by Penn Virginia Corporation. That well had a flow of gas at about the same horizon that the Blake well had. It was estimated to be two and a half million initial flow. I don't know that an actual PDT gage was taken on it. But, I've got pictures of that flare and it was certainly that much gas, if not more. Technical problems in completing the well caused them to only produce the well for three and a half months. The water zone it was 200 feet above where we hit the good gas zone. It was not a well cemented and casing was not set in the proper location. They did not even set casing through the producing zone. So, it was open hole and should not have been done that way. This has been nagging me now for over 20 years and it is one of the prospects that is on what I have referred to previously as my bucket list. Three years ago we tried to do something with this prospect where a client from Dallas. If you will recall, any of you that read the Bristol paper, there was a fury raised over the fact that Bristol wanted to take the old railroad line that went right through the middle of this prospect area and converted it into another Crippler trial like Abingdon and

Washington County has. They battled furiously over that with the land owners. That spread to all of the area and the land owners were so irate we couldn't hardly get a lease to get another well drilled on the prospect. Well time has passed and Bristol has decided to leave that project alone and abandoned it. We have been working now for over a year trying to assembly a lease block that would make it desirable then to go ahead with developing a gas field that I know is there waiting to be developed and how good it's going to be, time will tell. But we do know we had two wells that had excellent gas shows. Two wells that were improperly completed and we think we can improve on that and drilling techniques and methods today. The Wolf Run Anticline is sort of an offset if you continue the trend on a map of where the Early Grove Anticline is that was developed and is now a gas storage field. The area that we are proposing for this Wolf Run Anticline Field is about two miles separating from that gas storage field. We're not going to drill angular wells and tap that gas storage field. We're separated from them sufficiently for protection there, so that's not going to happen. We have no intention to do that. The field has been outlined in units that we pondered

over for some time before we came up with the suggestion of setting up units 160 acres each. You have a map, I believe, an exhibit that shows that plan, Exhibit BB. That shows the road network and the creeks, I think, on there too. It's located just north of Benamons or putting it more directly where you...I have bought in it. It's about five miles northwest of Bristol and about four miles from the interstate highway. About four miles also from the East Tennessee... formerly East Tennessee now Duke Energy and Spectra main gas line. The Headingshure well was connected in 1980, four I believe it was, into that line and produced, as I said, for about three and a half months and then water came in on them to where they had to abandon their attempt to produce that well commercially. The layout of these units, there's a reason for them. It's centered on the axis of the anticline. Just so that some of you may not know a lot about structural geology use the simple example of imagine a canoe and turn it upside down the keel of the canoe is the axis of the anticline and the slopes of the canoe dip off to the north on one side and deep off to the south on the other side. Now, we believe that much of the production in this area will be coming from fractures and

joints. Particular fractures that were created by the intense pressure and folding to create this structure. We are only about from the axis about a mile and a half of the Saltville fault. Some of you all have heard of that. The Saltville fault runs down the trend of Rich Valley. The Saltville fault in this area just to the south of the field has a displacement of over 18,000 feet, putting it a simple way that I like to describe to the undereducated geologist. But if we were to drill a well where we're planning to drill a well, you would have to go 18,000 feet to get to the rocks that are exposed just south of the fault in Rich Valley where Cambrian Age Rocks, limestone and dolomite are exposed. That limestone and dolomite is 18,000 feet beneath this Wolf Run Anticline. We're not going to drill that deep. Not for a while anyway. We're going to drill to the zones that produced gas in the two example wells. So, what we're planing to do is drill on a 160 acre units. These are square units from prior experience of working in Arkansas. Units out there were laid out easily because the township range grid system was utilized and on the two main fields that I helped to develop all of that was laid out so that wells were initially drilled at one well per square mile

four times the size of the units that I'm proposing here. Today because there was so many pay zones out there in the Arkansas Fields we have as many as 18 wells in one section because one well in a square mile could not drain all of the producing...potential producing zones. We don't know right now how many zones we will surely ultimately find in the Wolf Run Anticline and in this field. But we do know that we've got one particular zone that is already proven productive. Over in the nearby Early Grove Field they had production in the Price formation, the formation that I studied extensively for my dissertation. About half of the wells in the Early Grove now storage field were producing from the...apparently the Weir Sand, the upper most sand in the Price formation. And in the little valley formation, which is what both of the wells produce from on the Wolf Run Anticline previously. Our pattern of, I think, 49 units that we have proposed to you at this time may or may not be the full extent of the field, but I tried to be reasonable and cover with these proposed units in advance what would be a reasonable expectation. The structure does plunge off to the northeast and dies out. It plunges to the southwest and dies out before it even gets to the Early Grove Field and

the Early Grove Anticline. The south part of the limits of these units does lap over on the Saltville fault because some of these rock units that we think will be productive do continue underneath the Saltville fault. How far back underneath, we don't know. Maybe eventually we will run a seismic line and run it north and south and see how far back south underneath that fault it goes because the Saltville fault is a low angle at about 20 or 25 degrees and sometimes in places less sloping fault plane. So, these beds that are dipping to the south will continue maybe one or two miles south of the surface trace of the fault. We'll learn as we go, as we drill these wells and ultimately hopefully drill all of these units. I left as one of the things in the back of mind in setting up the 160 acre unit the possibility that again we might have like in Arkansas ultimately 40 acre units. So, you'll see that you can take a 160 acre square and drill four blocks within it. I believe your diagram does show, if you look closely, that you have to use...look at the map and take four of those blocks to make one of these units. Each of those units does have a 300 foot setback. So, there is room inside to drill locations that the first well would be just one per unit. As we learn how

much effect one well might have over the offset well in the next unit, it may be efficient to actually go ahead and drill more wells. But that's down the road. Initially, we want to drill one well per unit until we learn more about the field. That's it.

JONATHAN YARBOUGH: Mr. Chairman, if the Board has any questions of Dr. Bartlett right now, we can go ahead and hear those or we can just move on to our next witness. Whatever the Board prefers.

BUTCH LAMBERT: Okay. First, I'd like to ask the Board if there's any questions for Dr. Bartlett.

(No audible response.)

BUTCH LAMBERT: I had one, Mr. Bartlett. Maybe just for clarification. I think at one point you said there were...you were proposing 48 units.

CHARLES SAMUEL BARTLETT, JR.: There are 49 units, I think.

BUTCH LAMBERT: 49 units?

CHARLES SAMUEL BARTLETT, JR.: 49 units. That's on your Exhibit BB.

BUTCH LAMBERT: I haven't counted them, but it certainly looks like there's more than 49 units.

CHARLES SAMUEL BARTLETT, JR.: Yeah, because you have to take four of those little squares, which are the portions or quarter parts of the 160 acre unit. Those are the 40 acre squares in there and if we had made those a little darker or the 160 acre lines it would have been a little easier for you to see that.

BUTCH LAMBERT: Oh, okay. Yeah, I can see it.

MARY QUILLEN: Mr. Chairman, if we could get better maps of this, this would give us a better idea of what it is they're trying to do because these are really, really bad exhibits. It's not---

JONATHAN YARBOUGH: I think I have---

CHARLES SAMUEL BARTLETT, JR.: Yeah, we did have one that we presented two months ago. I don't know whether we've got here with us or not. He's looking. He'll find it. That's the ones on the topo.

JONATHAN YARBOUGH: Yeah, this one.

CHARLES SAMUEL BARTLETT, JR.: Yeah, that's good.

BUTCH LAMBERT: Any other questions from the Board?

KATIE DYE: I have just a question.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Yes. Are there...are there caves

underlying this area in Washington County?

CHARLES SAMUEL BARTLETT, JR.: No, not much at all here. As you go across the Saltville fault to the south towards Bristol, yes, you do pick up a lot of caves and caverns that are in there. But this area is, on the surface, underlined by a shellie zone that does have some limestones in it. But I'm not aware of any caves. There's some springs, yeah, and they're coming out of places on the hillside where the water table meets that ground surface and you'll see this is pretty rough terrain here that we're dealing with for the most part. Probably as bad or worse than some of the coal field area. So, we will have in the future some difficulties getting locations and some expensive roads to get up to the locations.

BUTCH LAMBERT: Any other questions from the Board?

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

KATIE DYE: Thank you.

BRUCE PRATHER: You know, our regular unit...you've got a 160 acre unit. Our regular statewide unit does 143 acres. I don't understand why we just don't extend the statewide units into this area and then if you want to drill

wells that don't conform to this thing, as long as it doesn't have a problem with the correlative rights of adjacent property owners, we can give you variance.

CHARLES SAMUEL BARTLETT, JR.: Yeah, I know.

BRUCE PRATHER: And I don't understand why we're all of sudden changing the spacing rulings in the State of Virginia.

CHARLES SAMUEL BARTLETT, JR.: I was not aware that that was a statewide because we have dealt with---

BRUCE PRATHER: Well, it's what we've been working for...with for years.

CHARLES SAMUEL BARTLETT, JR.: Excuse me. We've dealt with this in the 1980s. I was the one that had a meeting in my office of all of the operators that would come by invitation because I wanted to get away from the circular units because of the lack of squaring off so that nobody got left out and closing up the gaps that the circular units created. At that time, I had made that proposal in about 1981 or '82 and it was not adopted until much later. You now have square units for a coalbed methane, which are not a 160 or 143 or whatever. 160 is just easier to work with as far as squaring things off and working with even numbers

when you divide it into smaller portions. It's not a big change. This is a new field. It's out in the valley area away from the coalfields. I understand your concerns to keep things uniform, but this is uniform for the valley.

BRUCE PRATHER: Well, we've had problems even over in the main field with uniformity. We have people coming in here that want to change the squares to rectangles and circles and this that and the other. The only way this thing can work with any consistency, there has to be a consistency of what we are using for units. I mean, myself, I'm just a little bit against these changes because we can take care of any problem that you have with the units that are in place by giving you a variance. I mean, that's...I mean, I'm just---

CHARLES SAMUEL BARTLETT, JR.: Might I ask a question? It's related. I don't know now what the unit size is for the oil fields and gas wells down in Lee County. Out in the valley and ridge that's the only area I know that might have any unitization. The Early Grove Field was drilled on about 40 acre units or smaller and now is, of course, unitized into a gas storage field. So, there has been some other variations in the unit sizes. When the two

wells that were drilled on this same structure, the Wolf Run Anticline were drilled in the '80s...early '80s we were drilling those and I think we had established 80 acre units for it. So, you know, we had even numbers. We didn't have this oddball number that you have with 1...what did you say?

BRUCE PRATHER: 143.

CHARLES SAMUEL BARTLETT, JR.: 143, yeah. Still it's up to the Board, of course, naturally. But we've already done a lot of work on this and laid it out and surveyed it out. If you can bend a little bit there to the 160, I would appreciate it if you would.

JONATHAN YARBOUGH: I would point out, Mr. Chairman, that two months ago the Board did approve 160 acre provisional drilling unit C-6. So, there's already a 160 unit...provisional drilling unit in this field.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Yarbough.

JONATHAN YARBOUGH: The next witness that I'm going to call is Tony Holbrook. He's the surveyor and he's just going to talk about his experience and his role with Southeast Land & Minerals.

TONY HOLBROOK: Good morning. My name Tony Holbrook. I graduated from Virginia Tech with a Bachelor's in Engineering...Civil Engineering in 1975. In 1977, I became a registered surveyor in the State of Tennessee. In 1988, I became a registered surveyor in the State of Virginia. I'm currently a licensed 3B surveyor, which if you're not familiar with that, it allows me to do design work of water, sewer and storm drainage and erosion sediment control and so on. My experience, I've been involved in boundary surveys, subdivision designs, commercial development, residential development, considerable with the Virginia Department of Transportation in location surveys. My experience in gas wells has been limited to this project. But under the direction of Dr. Charlie Bartlett and Charlie Hale, I've put together the maps that are in this package. That's all I have unless you have any questions.

JONATHAN YARBOUGH: Does the Board have any questions for Mr. Holbrook?

BUTCH LAMBERT: Yeah, Mr. Holbrook, I think I heard you say that you did do the maps. One of the maps I'm looking at in particular is BB...the Exhibit BB---

TONY HOLBROOK: Yes, sir.

BUTCH LAMBERT: ---they laid out the units. Most of the time when...well, all of the time when we see these plat maps and other types of unit maps come before us, we usually see a PE stamp or a land surveyor stamp. Is that something that you just forgot to do with this one?

TONY HOLBROOK: Yes, sir.

BUTCH LAMBERT: Okay. Any other maps in here that you may have done that's in our docket that---?

TONY HOLBROOK: The maps and legal descriptions in that I did do.

BUTCH LAMBERT: Okay. Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Yarbough.

JONATHAN YARBOUGH: The next witness is Gus Thornson. I'm going to ask Mr. Thornson a few questions.

GUS THORNSON

DIRECT EXAMINATION

QUESTIONS BY MR. YARBOUGH:

Q. Mr. Thornson, what's your role with

Southeast Land & Mineral?

A. To acquire unleased land for this project.

Q. Speak into the microphone.

A. Okay.

Q. And we were required to provide notice to all of the land owners within this field. How did you determine who to notice?

A. Through the tax maps that we acquired at the Courthouse in Abingdon.

CHARLES SAMUEL BARTLETT, JR.: Which incidently are not anywhere near correct.

A. Very in accurate as far as boundaries are concerned.

CHARLES SAMUEL BARTLETT, JR.: Terribly outdated.

Q. And, Mr. Thornson, how many people did you notice?

A. Excuse me?

Q. How many people did you notice?

A. Oh, we sent a notice to a 1...234 notices went out. We had 49 of them returned. So, 185 people picked these notices up.

Q. Speak up. And was notice published in any

newspaper?

A. Washington County News.

MARY QUILLEN: Could you speak up? It's hard to hear what you're saying.

A. Okay. Do you want how many notices that we sent out?

MARY QUILLEN: And how many responses?

A. Yes. There were a...185 of them were picked up. 49 were returned.

MARY QUILLEN: 49?

A. Yes, ma'am.

Q. And was notice published in a newspaper?

A. It was published in the Washington County News.

Q. What percentage of the field have you leased so far?

A. Approximately 25%.

JONATHAN YARBOUGH: I don't have any other questions, Mr. Chairman.

BUTCH LAMBERT: Mr. Thornson, the...we have in our packet a list of names and certainly haven't counted each and every one of them. But are these all of the folks that

you've notified?

GUS THORNSON: Yes, sir.

BUTCH LAMBERT: And we don't know which ones you received notice back...I guess, Mr. Asbury knows.

(No audible response.)

BUTCH LAMBERT: Okay. Any questions from the Board?

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: Would you happened to have the map that would show much acreage you have under lease at the present time? In other words, if you got a response from a third of them, two-thirds of them out there are unleased. Do we have any kind of a map that would show that?

MARY QUILLEN: There's no Exhibit B or B-3.

CHARLES SAMUEL BARTLETT, JR.: We'll certainly show that as we present drilling units. But we do not have one big map that shows all of the leases. A good reason, somebody else might want to get in there and those holes are still open.

BRUCE PRATHER: Of course, what I'm thinking of is---

CHARLES SAMUEL BARTLETT, JR.: We want them to work to find that out.

BRUCE PRATHER: What I'm thinking of is when I look at the area here and if you got a response from a third of the people notified then there's a lot of these units in here that, you know, you don't have control of.

CHARLES SAMUEL BARTLETT, JR.: That's true. But we hope to.

BRUCE PRATHER: I do too.

CHARLES SAMUEL BARTLETT, JR.: We're still trying.

BRUCE PRATHER: Okay.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Yarbough.

JONATHAN YARBOUGH: Okay. Our next witness is Charlie Hale. He's going to talk about his role with Southeast Land & Minerals.

CHARLES HALE: Good morning. My name is Charles Hale. I'm the principal of C.M. Hale Consulting. My background, I have 27 years of experience in engineering, management, regulatory and environmental affairs and mining operations. My background has been exploration and

development of the minerals such as coal, copper, gold, silver, gypsen, limestone and natural gas. My role with Southeast Land & Mineral Company is primarily engineering, permitting and environmental compliance, regulatory affairs and operations. I hold degree in economics from the University of Virginia and a Degree in Mining Engineering from the Montana School of Mines in Butte, Montana.

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Yarbough.

JONATHAN YARBOUGH: That's all we have right now. We'd ask that you approve these field rules as proposed.

KATIE DYE: I have just one question before we conclude.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: My concern is, I guess, with these units, does this protect correlative rights with just a 300 foot setback because in a regular conventional well under statewide spacing see we have 1250 foot setback in the interior of that circular for a conventional well, plus we have the 2500 foot distance between wells that is mandatory.

CHARLES SAMUEL BARTLETT, JR.: Right. The 2500 I'm

familiar with, but the 300 foot setback from the edge would be just what is normally done because you've got to have some room left in there to get a location in this difficult terrain for one thing and trying to stay initially with the first wells on the crest of the structure or near the crest of the structure. As we drill offset wells, theoretically you could have wells that are as close as 600 feet apart. But that would then not require if we had to come closer than the regulatory requirements. We would have to come to you for permission and do that. So, that's protected. We'd have to have a good reason to do so and we will if we do it.

KATIE DYE: What I'm thinking, just looking at that and I'm no geologist, would that well not have to go within like about a 200 by 200 square in the center of that unit to protect the correlative rights?

CHARLES SAMUEL BARTLETT, JR.: We don't know what the extent of the reservoir is. Until we know more about the reservoir, we don't know what the correlative rights are as to what is being drained. As we drill wells, we'll in a sense try to do some testing along the way. For instance, if we drill one well and this...I know from the Early Grove wells and from these wells the initial pressure was around

1200 to 1400 pounds per square inch. If we drill one well and it comes in at 1400 pounds per square inch, for instance, and then a year later we drill another well in an adjoining unit, then it still has 1400 pounds per square inch too in the same reservoir. We'll know we're not effecting each other. As we learn more about those pressure differences by drilling additional wells, we'll be able to make a decision as to whether one well is enough and keep the wells as best we can with terrain consideration of possible variance so that they are spaced apart to get the best drainage and protect correlative rights. I don't think there's any field ever been drilled where you could say absolutely where all of that gas was coming from. It's just too complex down underneath there to view it from just a hole in the ground.

KATIE DYE: I understand. But in looking it, when you're looking at like a 300 foot setback---

CHARLES SAMUEL BARTLETT, JR.: Yes.

KATIE DYE: ---if your well ended up right on the border of like that 300 foot setback, I think the potential is there to frac something like, what, 1500 foot?

CHARLES SAMUEL BARTLETT, JR.: Who knows. Again,

that's another unknown.

KATIE DYE: Then you're going to be invading the next unit.

CHARLES SAMUEL BARTLETT, JR.: Well, you'll see on the well site coming up that that's further away from the 300 foot setback and we would generally be that further away. But it just depends on where we can get the leases and the permission to drill the well and get a road into it. It's not easy. Certainly, we'll try to protect correlative rights. I'm strong on that.

KATIE DYE: So, initially, then what you're saying is if you started out your well would go as near to the center of the unit as it's possible?

CHARLES SAMUEL BARTLETT, JR.: I won't promise you that because each one is going to be different. We'll try to keep it in the general center part. But exact center, no way. I can't promise you that. But the distance between wells, we know there's a regulation there. So, where we put the first well will govern maybe where we...somewhat where we can legally put the offset wells.

CHARLES HALE: May I answer? One of the reasons that I'm here is I have experience of working in the McGrady

formation. I was the mine manager for United States Gypsy Company Locust Coal Mine at the end of Rich Valley. There, we were in the McGrady formation and we were mining a mineral known as Gypsum, which makes all of these wallboards. Well, in that formation we had a lot of influence from the Saltville thrust fault. We would find these bolder Gypsum and they would be maybe as wide as this room a 1,000 feet long and then boom there would be nothing again. If you could imagine going to a Baptist Sunday School picnic and seeing a big bowl of red jell-O, we're down in the red McGrady Shale we'd be looking for the peach halves. So, we didn't know where they were, but we knew they were in there somewhere. But as you go over into the coalfields, that's like drilling through a Molasses stack cake. Everything is laid down flat and it's pretty ordered and you can tell one unit from another and, therefore, you can lay squares and, you know, the rock units are fairly horizontal laying. Over here, we're dealing with something that's rolling and pitching and it's really hard for us to forecast exactly what we're going to encounter until, you know...since this is a semi-wildcat or new exploration, until we build a model of the geology that underlies that, I

think then maybe it's too simplistic an answer. But just remember the red jell-O with the peach halves over here and over in the coalbed methane you're dealing with the Molasses stack cake and everything is laying like that. But, you know, we're still looking for the same natural gas essentially. Does that help?

CHARLES SAMUEL BARTLETT, JR.: While you're on that---

KATIE DYE: Somewhat, yes.

CHARLES SAMUEL BARTLETT, JR.: ---I might add one more thing that over the Early Grove Field, of course they're 30 or 40 wells, they did have wells that were close enough together, they found that there were some small faults that shifted the rock layers and shifted the producing formation. So, there were some units set up that did not drain the unit because there was a fault barrier that separated. We may have that in this case here too because this is where push came to shove here.

BUTCH LAMBERT: Any other questions from the Board?

BRUCE PRATHER: I'll tell you what, I'd feel a lot better about this if we had the results of your first well. I'm sure you would too.

CHARLES SAMUEL BARTLETT, JR.: Well, we've got two wells for models already that were drilled.

BRUCE PRATHER: Yeah, I just think we might be a little bit too presumptuous.

CHARLES SAMUEL BARTLETT, JR.: I wish they had been able to produce a lot longer---

BRUCE PRATHER: Yeah.

CHARLES SAMUEL BARTLETT, JR.: -but in a way---

BRUCE PRATHER: Well, see the thing about it, if you had a well here then I can see sitting the units up. I could understand what you're doing. What we're talking about, we're talking about presumptions and I have a problem with it.

CHARLES SAMUEL BARTLETT, JR.: Your background is geological engineer or what is---

BRUCE PRATHER: I'm a geologist.

CHARLES SAMUEL BARTLETT, JR.: Just a geologist. I thought maybe you were speaking of the engineering part of it.

BRUCE PRATHER: No, I've done---

MARY QUILLEN: You're not a geologist. A geologist.

BRUCE PRATHER: I've done my part of the engineering part of it too.

CHARLES SAMUEL BARTLETT, JR.: Okay.

BUTCH LAMBERT: Gentlemen, reading...I have two major concerns with this application and I will talk from the regulatory standpoint first. 45.1-361.20, it sets out specific issues that have to be addressed in your application. Sitting here and listening to your presentation, I would like to refer you to item number two in the list under B. It says, "Whether the proposal would unreasonably interfere with the present or future mining of coal or other minerals." I understand there is no coal in that area. But, what is the potential impact for minerals in that area...mineral mining in that area and that's what we need to be concerned about in this area as well. We haven't heard any testimony as to the minerals in that location. Also, secondly, we received a letter from a person, Susan Fine, again, she's objecting to this application and she raises some pretty major concerns in here that I think this Board must consider. One of those is the potential for endangered species in that Wolf Run area. I think the Board needs to be or needs to feel comfortable

that there's not going to be any impact on the environment as it relates to endangered species which have been identified by the nature conservancy that's listed in that area. I will ask that you attempt to address both that section that I read at 45.1-361 and also any..any environmental impact studies you have done on that area as it relates to endangered species.

CHARLES SAMUEL BARTLETT, JR.: First of all on minerals that may be potentially utilized in the area, the only thing that I'm aware of is sandstone, which can be quarried. There are some old quarries within the area outlined. I don't think there's an active one of any sort at the present time. It's within the boundaries shown. There's limestone, but they're limestone quarries too that are closer to the market up and down the interstate and I don't think any of these limestone are present within the outlined area that would be potentially utilized for creating lime for fertilizer or limestone rock for roads and highways and whatever. There's nothing that I know of and I have studied the geology of this area quite thoroughly that I can think of that would be a mineral deposit that would be economic to go after other than going down and drilling the

wells for what's underground.

On the environmental part, no, I will readily admit that we have not looked into that. But, is there something in this lady's letter that speaks to a specific creature?

BUTCH LAMBERT: Yes, sir, Mr. Bartlett. She has identified one species of plant and don't ask me to produce the name. It is...it is...we have a picture of it and it's more of a flowering shrub. She has identified it close to one of your proposed access roads.

SHARON PIGEON: Mr. Yarbough, do you have a copy of this letter?

JONATHAN YARBOUGH: I do not have a copy of that letter.

SHARON PIGEON: Do you have copy that you could share with him?

BUTCH LAMBERT: Yes.

DONNIE RATLIFF: He can have mine.

BUTCH LAMBERT: He can have mine.

CHARLES SAMUEL BARTLETT, JR.: Let me answer as the best I can at this point that we all are familiar with the footprint of a gas well location about an acre and wherever

possible...just like I was out yesterday looking at a location, it was already open and the cows were grazing it and there was an existing road up to it. That is what we will try to maintain. I am not sure what this creature...this plant looks like, but if someone is familiar with its appearance could show us that, we'll be happy to look and see if there are any of those in the area where we're planning to drilling a well.

BUTCH LAMBERT: That...Mr. Bartlett, that goes directly back to the question that Mrs. Dye raised in the well location and where you plan to place these wells. If you have some endangered species in that area, that may cause you to have to move a well.

CHARLES SAMUEL BARTLETT, JR.: That's possible.

BUTCH LAMBERT: And I'm sure that's the point that Mrs. Dye was trying to raise that that's a concern that she has of trying...of having to relocate wells. So---.

CHARLES SAMUEL BARTLETT, JR.: Well, I don't know what we're normally required to do. In the coal fields where you're drilling lots and lots of wells were environmental searches required there or this being---?

BUTCH LAMBERT: Most of the areas where coal and

gas wells in the...this end of the area we do have statements of environmental impact especially with coal permits. They are required to produce a statement that they are not only threatened or endangered species in that area. So...and that covers most of the gas well activity as well. We don't have that kind of information on this particular area.

GUS THORNSON: I'm somewhat familiar with this plant having heard from a fellow up in Marion by the name of Newman, I believe it is. Jack Newman.

COURT REPORTER: Sir, can you speak up?

GUS THORNSON: He mentioned this plant at Abrams Falls. There's no possible way for anybody to get with a four wheel on Abrams Falls. As you recall, probably several people have walked across the top of these falls and fallen to their death. It's a very inaccessible area. I don't...you're not going to find anything there besides a helicopter. That would be doubtful.

CHARLES SAMUEL BARTLETT, JR.: Not if the trees are in the way.

GUS THORNSON: But he did mention the fact, I think, National Geographic pointed this out as being a very

rare plant and certainly in very wet location.

CHARLES SAMUEL BARTLETT, JR.: I'm just---

BUTCH LAMBERT: And as the letter pointed out, it was found on a location adjacent to a proposed haul road or a proposed road in that area, which raises some concern for us a Board.

GUS THORNSON: They were doing some development, and I guess it's still going on, down the Abrams Falls road and they really...they made it best getting up to their property. But as far as getting down, I don't...you have to walk.

BUTCH LAMBERT: But I think we're concerned with the potential of that plant being anywhere adjacent to that Abrams Fall area that might be impacted by drilling activities.

GUS THORNSON: Right.

BUTCH LAMBERT: But, anyway, that...I bring that up as an issue that this Board is going to have to address that letter and those comments are in that letter. We need to feel comfortable that activities that we approve won't have any affects on that...she called it a threatened species. I'm not sure if it's an endangered species yet or not.

CHARLES SAMUEL BARTLETT, JR.: Well, that's a big difference.

BUTCH LAMBERT: That's a difference.

CHARLES SAMUEL BARTLETT, JR.: Yes.

BUTCH LAMBERT: And whether it's a state or a federal listed species. We're not sure of that. But, again, going back to section 45.1-361.20, you know, we heard testimony from each and every individual about qualifications, but we haven't heard any direct testimony as it relates to each one of those sections of regulations. I think that's going to be important for this Board to be able to move forward is to hear testimony on each and every regulations that set out in that section of law. So, that's my comments. Questions from the Board?

DONNIE RATLIFF: Mr. Chairman. I'd like to see new maps without the 40 acre grids. If you're proposing a 160 acres with a 300 foot offset, then that's what we need to see. You're going to have to address the minimums on the statewide spacing how you're going to...how you're going to address that. But with statewide spacing you can't put four wells in...you can't put a well in any of those four acre units...40 acre units. You're looking at one well per unit

right now.

CHARLES SAMUEL BARTLETT, JR.: That's right. If we came to any desire or reason and rational to drill more than one well in there, we'd be asking you for increased density like---

DONNIE RATLIFF: Right.

CHARLES SAMUEL BARTLETT, JR.: ---you're doing over in the coalfields.

DONNIE RATLIFF: That's right.

CHARLES SAMUEL BARTLETT, JR.: And we'd have to argue that that would be desirable.

DONNIE RATLIFF: So, I would take out the 40 acre units and show the 160.

CHARLES SAMUEL BARTLETT, JR.: We can readily make that map so you can see it better.

KATIE DYE: I have one more comment.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Yes. I was hoping that you might could provide us like with your...a hard copy of your geological data and maybe your research on this field and as, you know, the research and whatever you're using to back these 160 acres.

CHARLES SAMUEL BARTLETT, JR.: You're asking for a geological map?

KATIE DYE: I guess or any research that has been done based on this coal field.

CHARLES SAMUEL BARTLETT, JR.: Well, I could do it, but I'm just not certain that that would be a requirement to reveal proprietary information.

KATIE DYE: I understand.

CHARLES SAMUEL BARTLETT, JR.: You know, we've spent a lot of time...I've spent a lot of time in mapping and drawing up diagrams and cross sections and all of that for the field and once it becomes public record then some people that might use it to our ill effect.

KATIE DYE: I understand perfectly.

CHARLES SAMUEL BARTLETT, JR.: So, I'd be happy to show it to you, but I hopefully wouldn't have to present it.

BRUCE PRATHER: I think the State of Tennessee does have something on the Early Grove Field, don't they?

CHARLES SAMUEL BARTLETT, JR.: Pardon me?

BRUCE PRATHER: I think that the State of Tennessee does have a...some sort of a document on the Early Grove Field.

CHARLES SAMUEL BARTLETT, JR.: The State of Virginia does.

BRUCE PRATHER: Yeah. I think they do, don't they?

CHARLES SAMUEL BARTLETT, JR.: Yes. There is a published article that has some of the geology on it. BR

CHARLES SAMUEL BARTLETT, JR.: I have reviewed that and extended it and it's a lot more work.

BRUCE PRATHER: That might take care of her question.

CHARLES SAMUEL BARTLETT, JR.: Okay. Yeah, there is a Division of Mineral Resources Bulletin that I could get you that has a pretty good picture of it. That's public record.

KATIE DYE: One other thing that you mentioned, like cattle, is this area primarily farming? Is it remote?

CHARLES SAMUEL BARTLETT, JR.: No, it's primarily growing trees.

SHARON PIGEON: He's saying yes and you're saying no.

CHARLES HALE: The well sites that I've been to were, you know, in pastures and we've been to three potential well sites. They were in pastures. But that's

three out

of---

CHARLES SAMUEL BARTLETT, JR.: That's because we've been going to the open areas.

CHARLES HALE: A lot of ticks.

CHARLES HALE: Yes, sir.

CHARLES SAMUEL BARTLETT, JR.: Do you have some other specific items there that we did not cover? I'd be glad to try to answer them if we've overlooked something.

BUTCH LAMBERT: Well, there's several under that section. I don't think it would be appropriate for us to read down through that section and allow testimony on each one. This is written documentation that we're going to have to have to make the determination. So, what I'm going to do is ask that this be continued until next month and ask that you go back and look at that section a while and address each section. Also, that you will be prepared to address the letter that we have received that we just handed to Counsel. If I can have that in---

CHARLES SAMUEL BARTLETT, JR.: A little further on that letter that you have, I'm not sure what our responsibility is. None of us are biologist or botanist or

whatever. We are geologist and engineers and surveyors and so forth. Are we expected to hire a person like has written this letter to survey this entire area or what is our responsibility?

BUTCH LAMBERT: Well, Mr. Bartlett, I think what the Board is going to ask you to do is to address the comments in that letter. If that requires you to hire a professional whose versed in locating that plant, then that may be what you have to do. I'm not...this Board isn't directing you what to do. We're just asking you to address the objections in the letter.

CHARLES SAMUEL BARTLETT, JR.: Well, I'm trying to...sure. Well, we'll try to do our best to do so. In---

SHARON PIGEON: You might start with the Nature Conservancy since they have done a survey and have information that should be readily available to you and then you can decide from that what you need to do. But it's your responsibility to put your case on and not to have the Board put it on for you.

CHARLES SAMUEL BARTLETT, JR.: What I'm thinking is before we present the information for approval of the entire field rules, an entire survey of the entire area when we may

have well drilled the first three wells and they're all dry holes and we've wasted a lot of effort there. If we confine it to when we propose a unit that we search where the road is and where the well site is for these endangered species then that would be a much more feasible thing to do and a lot less extensive.

JONATHAN YARBOUGH: Mr. Chairman, we'll figure out how to address the letter and we'll get back to you.

BUTCH LAMBERT: Again, Mr. Bartlett, we're not going to...we don't want to tell you how to do your business. We just are asking you to address the objections in the letter.

CHARLES SAMUEL BARTLETT, JR.: Okay.

BUTCH LAMBERT: Okay. And---.

MARY QUILLEN: Mr. Chairman, I think we also need to go through these proposed field rules very carefully because I have found a couple of things that are questionable in my mind and have this...work with the folks in the gas and oil office as we review these. Because this is...you know, this is a whole new set of rules for a whole new area and I really believe that, you know, we need expertise from the gas and oil division on these field

rules.

BUTCH LAMBERT: I think that's all the more reason that we need to probably continue this one until July.

MARY QUILLEN: At least.

BUTCH LAMBERT: I'll ask you folks. Is July enough time or would you like to extend until August?

CHARLES SAMUEL BARTLETT, JR.: We'll try.

JONATHAN YARBOUGH: Let's go ahead and do it for August for right now, Mr. Chairman.

BUTCH LAMBERT: August, okay.

BRUCE PRATHER: Mr. Chairman. Are there any timber problems? I notice in looking at your map everything is green. So, I assume that's a forest. Are there any timber companies in here or any timbering going on that you know of?

TONY HOLBROOK: Not at this time.

BRUCE PRATHER: Okay.

CHARLES SAMUEL BARTLETT, JR.: Not at this time. There has been in the past.

JONATHAN YARBOUGH: Mr. Chairman, could we also get those other docket numbers moved to August where we previously had them in July.

BUTCH LAMBERT: You want those moved to August as well?

JONATHAN YARBOUGH: Yes.

BUTCH LAMBERT: So, the previous docket item read in docket item eight and docket item thirty-eight will be continued August.

MARY QUILLEN: They have several more items on the agenda. But I think that---.

JONATHAN YARBOUGH: We would go ahead and continue all of our items until the August---.

MARY QUILLEN: I would strongly suggest that.

BUTCH LAMBERT: Okay.

MARY QUILLEN: It's eight, nine, thirty-seven, thirty-eight and thirty-nine.

BUTCH LAMBERT: Okay, calling item thirty-seven. A petition from Southeast Land & Mineral, LLC requesting to be named unit operator for each of the units for the proposed Wolf Run Conventional Gas Field, docket number VGOB-10-0615-2738 will be continued until August. And calling petition...or item number thirty-nine, a petition from Southeast Land & Mineral, LLC for creation of a 160 acre conventional gas well unit D-4, docket number VGOB-10-0615-

2740 also will be continued until August. Okay, thank you, gentlemen.

DAVID ASBURY: Would it be appropriate if the Board members have specific questions that you channel your questions through us and we can then contact the operator?

BUTCH LAMBERT: Certainly, if you have any questions before our August meeting on this, that would be an appropriate way to do it, yes.

DAVID ASBURY: And as we...as we get information back from the operator then we can share it with the Board. Would that be appropriate?

BUTCH LAMBERT: Yes.

DAVID ASBURY: And also something under the same statute that you quoted, under 361.20 under E it talks about this particular case where the Board doesn't have sufficient evidence at the hearing and can continue that until sufficient evidence is gathered and it involves boundaries, drilling units, shape and allowable production from that field and the field boundaries. So, that doesn't apply.

BUTCH LAMBERT: Thank you, gentlemen. Ladies and gentlemen, we're take an hour for lunch. So, we'd ask you to be back in one hour.

(Lunch break.)

BUTCH LAMBERT: Now, it's a little bit after one. It's time to get started back. Before we do, I think Mr. Asbury has some remarks.

DAVID ASBURY: I do. Thank you, Mr. Chairman. From time to time we like to recognize our Board members for some achievements that they have accomplished to awards that they have received. Several months ago, Ms. Quillen was recognized for her contribution. Just recently we've learned that Mr. Ratliff was awarded the 2009 outstanding citizen of the year in Wise County for his many contributions. I have a piece of an article where Mr. Ratliff was honored for his contributions as outstanding citizen of the year award. "The committee received many commendations and nominations for this year's award. However, Donnie is one of the strong pillars of the community in his citizenship." He has a lengthy list of accolades and great qualities that he has contributed to the citizens and particular the county there in Wise. "For more than thirty years he has given generously to the area with no expectation of anything in return." The paper goes on to say that it was not possible to list all of his volunteer

services in the many month's time that he has dedicated to not only the community but the citizens of not only Wise County, but that of Southwest Virginia. It says, "He's heavily involved with the Masonic Lodge, which at its very core is a given organization. Many children have been the beneficiaries of the given nature of this organization as a result of the leadership and involvement. He has made a tremendous impact on the lives of the children and their families throughout his work. He works to arrange transportation for injured children to specialty hospitals and burn centers. He doesn't handle details over the phone as many would do. He personally goes to the hospitals to assist the family." It goes on page after page about Donnie's good works and the things that he does with the Harvest Care Ministries. "He serves on dozens of state and local Boards including organizations by Governors' Warner, Governor Allen, Governor Robb and Governor Wilder on many state Boards including the Virginia Gas and Oil Board. He has done many of these wonderful things for his county without receiving the recognition and credit that he deserves for many years. Donnie has been there and willing to continue his work and be there for the citizens of Wise

County to make it and the citizens of Southwest Virginia a better place to live." So, Donnie congratulations.

(Claps.)

BUTCH LAMBERT: Ladies and gentlemen, we've had some comments from folks in the audience that can't hear what's taking place here in these sessions. So, we'll remind you to please speak up so that everyone will be able to hear. I know the air conditioner is running and that makes it a little more difficult. Just to comment on the sound system. Russell County is working very hard to try to figure out a sound system that will fit this room and will fit the costs. We understand that some systems that they have been priced are upwards of \$10,000. But they have promised they're working with us and they're doing their best to try to get us a sound system and we appreciate that. So, if you could, please remember to speak up. The next item on the docket is item number ten. A petition from EQT Production Company for modification of the Nora Coalbed Gas Field to allow one additional coalbed gas well to be drilled within each of the 57.77 acre Nora units identified as AH-77, AI-75, AI-76, AI-77, AI-78, AJ-75, AJ-76, AJ-77, AJ-78, AK-74, AL-74 and AL-75, docket number VGOB-89-0126-0009-65.

Wow, what a bunch of numbers. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman and Board, Jim Kaiser, Abby Tomkiewicz and Rita Barrett on behalf of EQT Production. If the Board thinks fit, we do have some housekeeping. We have item ten through thirty-one of the docket today. We are going to withdraw eight of those applications if you want to do that now in case there's some folks that are here for one of those hearings.

BUTCH LAMBERT: Yes, let's go ahead and do that right now.

JIM KAISER: Okay. Do you want me just to give you...do you want the docket number or the item number that---?

BUTCH LAMBERT: Just give us the docket number and I'll read them when we get done.

JIM KAISER: Okay. Do you want them all?

BUTCH LAMBERT: Please.

JIM KAISER: Eighteen, nineteen, twenty-one, twenty-two, twenty-three, twenty-six, twenty-eight and thirty.

DAVID ASBURY: Are all of those withdrawn, Mr.

Kaiser?

JIM KAISER: Yes, sir.

BUTCH LAMBERT: Let me just go through and read those real quickly. Docket item eighteen, a petition from EQT Production Company for pooling of coalbed methane unit VC-537303 docket number VGOB-10-0615-2723 will be withdrawn. Docket item nineteen, a petition from EQT Production Company for pooling of coalbed methane unit VCI-531533 docket number VGOB-10-0615-2724 withdrawn. Docket number twenty-one, a petition from EQT Production Company for pooling of coalbed methane unit VCI-531532 docket number VGOB-10-0615-2726 withdrawn. Docket number twenty-two, a petition from EQT Production Company for pooling of coalbed methane unit VCI-531535 docket number VGOB-10-0615-2727 withdrawn. Docket number twenty-three, a petition from EQT Production Company for pooling of coalbed methane unit VCI-531534 docket number VGOB-10-0615-2728 withdrawn. Docket item twenty-six, a petition from EQT Production Company for pooling of coalbed methane unit VCI-531536 docket number VGOB-10-0615-2731 withdrawn. Docket item twenty-eight, a petition from EQT Production Company for pooling of coalbed methane unit VCI-531538 docket number VGOB-10-0615-2733 will be withdrawn.

SHARON PIGEON: It was twenty-seven and not twenty-eight.

JIM KAISER: No, twenty-six and twenty-eight. But now we've decide we want to keep thirty. So, it should be eighteen, nineteen, twenty-one, twenty-two, twenty-three, twenty-six and twenty-eight.

SHARON PIGEON: Right.

BUTCH LAMBERT: Twenty-six and not twenty-eight.

JIM KAISER: And twenty-eight. You just called twenty-eight.

DONNIE RATLIFF: Yes, you just called twenty-eight. You're right.

BRUCE PRATHER: Thirty he wants to keep.

JIM KAISER: Thirty I want to keep.

BUTCH LAMBERT: Okay.

JIM KAISER: So, it's seven withdrawn instead of eight.

BUTCH LAMBERT: Okay.

JIM KAISER: I'm sorry.

SHARON PIGEON: I gave you bad advice there.

BUTCH LAMBERT: So, I was right.

SHARON PIGEON: I was reading his hand signature on

it.

BUTCH LAMBERT: Okay.

(Witnesses are duly sworn.)

COURT REPORTER: Abby, can you spell your last name?

ABBY TOMKIEWICZ: T-O-M-K-I-E-W-I-C-Z.

COURT REPORTER: Thank you.

ABBY TOMKIEWICZ: You're welcome.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JI

RITA BARRETT

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes, my name is Rita McGlothlin-Barrett. I'm employed by EQT Production Company in Big Stone...in Clintwood, Virginia as regional land manager.

Q. And the first application that we have today is for a modification of the field rule to allow for

an additional well to be drilled in the units listed commonly known as increased density drilling?

A. That's correct.

Q. And have all oil, gas and coal owners been notified of this hearing as required by statute?

A. They have.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Kaiser.

ABBY TOMKIEWICZ

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Ms. Tomkiewicz, would you briefly go over for the Board both your educational background and your work experience, please?

A. Sure. I received my Bachelor's of Science in geology. For the past nine months, I have been employed

as a geologist at EQT. Previous to that, I worked a year at EQT in the engineering department providing technical support and then before that I worked as a geologist for two years in an environmental consulting company in Pittsburgh.

MARY QUILLEN: One question for her, Mr. Chairman. Where did you earn your Bachelor's?

ABBY TOMKIEWICZ: Oh, I'm sorry. I went Binghamton University to a state school in New York.

JIM KAISER: Suny Binghamton.

ABBY TOMKIEWICZ: Suny Binghamton, yes.

MARY QUILLEN: Suny Binghamton.

Q. Okay. And today for the purposes of today's hearing, have you provided...have you prepared a handout that will help illustrate your testimony as to why EQT wants to drill these increased density wells?

A. Yes.

Q. And, I guess, we've got them all labeled as we're supposed, AA and BB. Yeah, it looks like it. If you'd at this time could go ahead and go through your handout for the Board.

A. Absolutely. This is...we would like the Board approval for twelve different grid units to increase

the density of our CBM wells. We've provided some previous production numbers on infills we've already drilled in the field. That's on Exhibit AA. It's broken down by 2006, 2007, 2008 and 2009. We've drilled a total of 163 increased density CBM wells with a cumulative production of 5,870 mmcf at rate of 9.44 mmcf per day. So, we feel that adding these infill wells will help increase our production. Basically, the following page, Exhibit BB, reiterates that. This is our production, our gross volumes. The blue line is our original wells and then the red line represents our increased density wells. That's the additional volume of gas that we have been able to produce in addition to the original wells. That gas rate is currently as of April of this year, it's a little over 16,000 mmcf per day. So, we believe that adding these infill wells would be an excellent use of capital for our company. Then Exhibit CC just represents the geographic location of those grids within the Nora Field. They're in the northeast of the field. Then Exhibit DD, it's just a closeup so you can read the grid numbers and those grid numbers will correspond to what you have listed in the docket for today.

RITA BARRETT

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. KAISER:

Q. And you have not received any letters or notices of objection from either coal, oil, gas or royalty owners in these units?

A. We have not.

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

BUTCH LAMBERT: Questions from the Board?

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: I notice on the gross volumes for you density drilling. On your red and your blue line, in December of '09 it seemed to dive on you. Was the well shut-in for part of that time.

ABBY TOMKIEWICZ: There was...there was a winter storm we had.

BRUCE PRATHER: Oh, okay.

ABBY TOMKIEWICZ: And so we had a good number of wells that were down. So, that is---

BRUCE PRATHER: I understand.

ABBY TOMKIEWICZ: Yeah, that's purely mechanical and power related issues. I'm sure you all know exactly what I'm talking about.

BUTCH LAMBERT: Any further questions from the Board?

KATIE DYE: Yes, Mr. Chairman, I have a question.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: Do you already have one well in these 12 units drilled currently?

ABBY TOMKIEWICZ: Yes, we do.

KATIE DYE: Thank you.

ABBY TOMKIEWICZ: You're welcome.

BUTCH LAMBERT: Any further questions from the Board?

KATIE DYE: I just have one more comment here.

BUTCH LAMBERT: Mrs. Dye.

KATIE DYE: On page three of your application, you don't reflect the AH-77 in the AJ-77, but it is on Exhibit A.

RITA BARRETT: I'm sorry.

KATIE DYE: On page three of the application where they're listed, you don't show AH-77 or AJ-77. Only 10

wells. But then you have 12.

RITA BARRETT: We definitely AH-77 and AJ-77. Those should have been part of this application process.

KATIE DYE: Well, it is on Exhibit A, but it's just not reflected on page three, at least on mine.

RITA BARRETT: That's a mistake on the application. Those units were to be included.

JIM KAISER: So, it's not on the cover page?

KATIE DYE: It's not on the third page. This one, where you've listed the wells.

SHARON PIGEON: The first page of the application.

JIM KAISER: Right.

BUTCH LAMBERT: Does your notice reflect AH-77?

RITA BARRETT: It does. This is all Range Resource property. They got notice. They would have gotten this.

JIM KAISER: They would have gotten this. Yeah.

RITA BARRETT: Yes.

JIM KAISER: Which is probably what they would have got rather than the heading. We'd be more than happy to supplement the application with a corrected first page to reflect those two additional units.

RITA BARRETT: And we will also give you the units

that (inaudible)...the existing wells.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: We'd ask that the application be approved with the resubmission of a correct first page to the application.

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 next item on the docket is item

eleven. A petition from EQT Production Company for pooling of coalbed methane unit VC-537195, docket number VGOB-10-0615-2716. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, Jim Kaiser and Mr. Jonathan York for EQT Production.

(Jonathan York is duly sworn.)

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JIM KAISER: Mr. Chairman, in accordance with a memo that the Board sent out on June the 2nd asking for some additional mapping information. To the best of my knowledge, I guess on every how many of these poolings that we've got left, we have been able to provide Mr. Asbury with that information.

BUTCH LAMBERT: Okay.

JIM KAISER: I just wanted to point that out. We have been able to comply with that, you know, in a relatively short period of time and we'll continue to do so going forward.

BUTCH LAMBERT: Okay. We appreciate that.

JONATHAN YORK

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. York, if you would...you have given your background before the Board, haven't you?

A. Yes, I have.

Q. Okay. If you'd state your name and who you're employed by and in what capacity.

A. Jonathan York, landman, EQT Production Company.

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

A. Yes, it does.

Q. Are you familiar with EQT's application seeking a pooling order for well VC-537195 dated May the 14th, 2010?

A. Yes.

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

A. Yes.

Q. Now, prior to the filing of the

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

A. Yes, there were.

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

A. 92.25%.

Q. And in the coal estate?

A. 100%.

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

A. Yes, they are.

Q. So, what remains unleased is 7.75% if the gas estate?

A. Correct.

Q. Okay. And in this particular case, we do have some unknown and unlocateables?

A. Yes.

Q. And could you tell the Board what efforts were made either by yourself or by other folks within the employee of EQT to attempt to locate these unknown/unlocateables?

A. Yes. Reasonable efforts were made to identify and locate the unknowns by mail outs and in certain circumstances actually visiting, you know, the last known addresses.

Q. Okay. And did you check such things as deed records, probate records, assessor's records, treasurer's records and then secondary sources such as internet searches, telephone directories, family and friends?

A. Yes.

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

A. Yes, it was.

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

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, I am.

Q. Could you advise the Board as to what those

are?

A. Twenty-five dollars per acre paid lease for five years.

Q. And what about the royalty?

A. Five dollars per acre.

Q. And one-eighth royalty?

A. One-eighth royalty, sorry, yes.

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

A. Yes.

Q. Now, as to the unleased parties who are listed at Exhibit B-3, do you agree that they be allowed the following statutory options with respect to their ownership interest within the unit: 1) Participation; 2) a cash bonus of twenty-five dollars paid up plus a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus and one-eighth of eight-eighths royalty share in the operation of the well on a carried basis as a carried operator under the following conditions: Such carried operator shall be entitled to the share of production from the tracts pooled accruing to his

or her interest exclusive of any royalty or overriding royalty reserved in any leases, assignments thereof or agreements relating thereto of such tracts, but only after the proceeds applicable to his or her share equal, A) 300% of the share of such costs applicable to the interest of the carried operator of a leased tract or portion thereof; or B) 200% of the share of such costs applicable to the interest of a carried operator of an unleased tract or portion thereof?

A. Yes.

Q. Do you recommend that the order provide that elections to respondents be in writing and sent to the applicant at EQT Production Company, P. O. Box 23536, Pittsburgh, Pennsylvania 15222, Attention: Christy Shannon and/or Alma Tallman?

A. Yes.

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

A. Yes.

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

A. Yes.

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

A. Yes.

Q. Should the applicant be allowed a 120 days following the recordation date of the Board order and thereafter annually on that date until production is achieved, to pay or tender any cash bonus or delay rental becoming due under the force pooling order?

A. Yes.

Q. Do you recommend that the order provide that if a respondent elects to participate, but fails to pay their proportionate share of actual well costs then that election to participate should be treated as having been withdrawn and void?

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 actual well costs any cash sum becoming payable to that respondent from the applicant be paid within 60 days after the last date on which the respondent should have paid their costs?

A. Yes.

Q. Does EQT need to establish an escrow account for this unit?

A. Yes, they do.

Q. What tracts are...should be included in the escrow?

A. Tracts 1, 3, 4, 5, 6 and 7.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,766 feet.

Q. The estimated life of 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, it has.

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

A. It does.

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

A. The dry hole costs are \$150,940. The completed well costs are \$369,839.

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?

BRUCE PRATHER: Mr. Chairman.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: Is this a Roaring Fork well? I think it is.

JIM KAISER: No, it's Nora. It's Nora.

BRUCE PRATHER: I don't think I have an interest in this thing on the coalbed. I think I do on the conventional.

RITA BARRETT: I'm I still under oath, right?

COURT REPORTER: Yes.

JIM KAISER: Yeah.

RITA BARRETT: These are in Buchanan County.

SHARON PIGEON: Are they?

BRUCE PRATHER: My thing says Wise.

SHARON PIGEON: Is that what the plat says?

RITA BARRETT: Is it Wise?

BUTCH LAMBERT: The plat says Wise.

MARY QUILLEN: It says Wise.

JIM KAISER: It's Wise.

RITA BARRETT: I'm sorry.

SHARON PIGEON: See why we didn't call you?

RITA BARRETT: No, I was reading something from

Buchanan County and I thought we were on those wells. Yes, this is part of the Roaring Fork.

BUTCH LAMBERT: Any other questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

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

KATIE DYE: 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, but Bruce Prather and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

DONNIE RATLIFF: I'll abstain.

BUTCH LAMBERT: Two abstentions, Mr. Prather and Mr. Ratliff. Thank you, Mr. Kaiser. It's approved.

JIM KAISER: Mr. Chairman, I've just word from my client that we wish to withdraw number twelve that you're going to call now too.

BUTCH LAMBERT: Calling docket item number twelve. A petition from EQT Production Company for pooling of coalbed methane unit VC-536325, docket number VGOB-10-0615-2717 will be withdrawn. Calling docket item thirteen, a petition from EQT Production Company for pooling of coalbed methane unit VCI-538739, docket number VGOB-10-0615-2718. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, again, Jim Kaiser and Jonathan York. The mine works exhibit that you just provided you with has got the...if you look at the legend, the very first well listed VCI-538730 is what it says. It should say 538739, which is this well.

DAVID ASBURY: This one is right.

JIM KAISER: Oh, that one is right. Good. Again, we've provided the additional information.

BUTCH LAMBERT: The one that just came around?

JIM KAISER: Yeah. If you look at the first well

that's listed in the legend, the last number should be a 9 instead of a 0. Are you with me? 53---

SHARON PIGEON: Oh, down here at the bottom.

BUTCH LAMBERT: Oh, I gotcha. I see. I see.

DONNIE RATLIFF: In the legend.

BUTCH LAMBERT: Yes. In legend. Okay.

MARY QUILLEN: It should be 739 instead of 730?

BRUCE PRATHER: Uh-huh. Uh-huh.

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, it does.

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

A. Yes.

Q. Again, prior to the filing of the application, were efforts made to contact each respondent and an attempt made to work out a voluntary lease agreement

with each?

A. Yes.

Q. What's the percentage under lease to EQT in the gas estate?

A. 0%.

Q. And what percentage of the coal estate is under lease to EQT?

A. 91.29%.

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

A. Yes.

Q. And, so, 100% of the gas estate remains unleased and 8.730% of the coal estate remains unleased?

A. Correct.

Q. Okay. And we do have unknown and unlocateables in this unit?

A. Yes, we do.

Q. That specifically being the Yellow Popular tract?

A. Yes, Tract 1.

Q. Has EQT had a certified title examination of the records performed on this particular tract that we're

escrowing?

A. Yes.

Q. Okay. And after that title examination was performed were there extensive curative efforts made both by the examining law firm and by EQT personnel?

A. Yes.

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

A. Yes, it was.

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

A. Yes.

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

A. Yes.

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

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

Q. In your opinion, do the terms that you've

just testified to represent the fair and reasonable compensation to be paid for drilling rights within this unit?

A. Yes.

JIM KAISER: Mr. Chairman, at this time, I'd ask that the testimony regarding the statutory elections afforded any unleased parties taken previously in item 2716 be incorporated for purposes of this hearing.

BUTCH LAMBERT: Accepted.

Q. Okay. In this particular, does the Board need to establish an escrow account for this unit?

A. Yes.

Q. For proceeds attributable to just Tract 1, is that correct?

A. Correct.

Q. Okay. And Tract 2, both the gas estate and coal estate is under lease to CNX?

A. Yes, it is.

Q. And CNX and Levisa have a royalty split agreement as is reflected in...I'm sorry, the Pobst/Combs and Levisa have a royalty split agreement as reflected in Exhibit EE to this application?

A. Yes.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,538 feet.

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

A. 225 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, it does.

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

A. The dry hole costs are \$165,898. The completed well costs are \$372,000...I mean, \$372,358.

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 of this pooling 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: Mr. York, do you know who did the chain of title work for Yellow Popular?

JONATHAN YARBOUGH: McKinnis & Scott.

BUTCH LAMBERT: Okay. Thank you.

BUTCH LAMBERT: Any other questions from the Board?

MARY QUILLEN: Mr. Chairman, I have just...going back to that chain of title, this has been something that has been requested that be provided by all of the gas operators. Just for our own information, my information particularly, and anybody else that is interested in this. That chain of title for this particular one because this has been an item that has shown up quite often over the years

that Yellow Popular Lumber Company that chain of title shows there has been no activity by anyone for that company. Is that correct?

JIM KAISER: Yes, that's correct. In fact...well, let me...I'll let Mr. York kind of answer this question, I guess.

JONATHAN YORK

DIRECT EXAMINATION RESUMES

QUESTIONS BY MR. KAISER:

Q. In addition to what we've testified to previously as to the title work that was performed and the curative that was performed, did EQT recently have one of their abstractors, probably their most experienced abstractor go back in and kind of recheck the title and make sure that there hadn't been any changes?

A. Yes, we did.

Q. And did he find that the way that we're representing the title on this particular tract to still be accurate?

A. He found the title that we had was still accurate, yes.

JIM KAISER: Thank you.

SHARON PIGEON: In your testimony, you testified that substantial curative efforts had been undertaken. What does that mean?

JIM KAISER: Okay. At this time, I'm going call another witness, if I may. Mr. Scott.

BUTCH LAMBERT: While Mr. Scott is coming forward, I need to update the Board. I think all of the Board members got a copy of the memo that was sent out to the operators requesting...actually it went to Range Resources and EQT requesting information on the Galley Friend/Yellow Popular Lumber Company unknown and unlocateable. A request...the note requested that information be submitted to David Asbury before June the 15th, today...which is today. We did receive...I did receive a request to extend that date until the July meeting. We granted that request so they could get that information. The date of memo was July the 2nd. It was kind of little short notice for those folks.

SHARON PIGEON: June the 2nd.

DONNIE RATLIFF: June the 2nd.

BUTCH LAMBERT: June the 2nd, I'm sorry. So, those

request were granted to extend that date until the June meeting or July meeting.

JIM KAISER: Okay. Would you...do you want us to wait until then then?

BUTCH LAMBERT: Ms. Quillen, would you like to proceed with that or wait until the next---?

MARY QUILLEN: I think we could probably just go ahead and proceed with this one. They have---.

JIM KAISER: That's fine.

BUTCH LAMBERT: Okay.

MARY QUILLEN: They have---.

JIM KAISER: That's fine. You know, if---.

MARY QUILLEN: You all have...you all have submitted that, did you say?

JIM KAISER: No, we have---.

BUTCH LAMBERT: No, they have not.

JIM KAISER: ---not. We were given an extension until July. But Mr. Scott was the examining attorney and he's here.

SHARON PIGEON: That information is going to be presented to Mr. Asbury at the Division. It's not going to be presented to the Board.

JIM KAISER: That's correct.

SHARON PIGEON: And so, I think, with Mr. Scott's testimony, you'd be in a position to go forward unless you don't feel comfortable with that.

MARY QUILLEN: I agree with that. Mr. Scott's testimony will serve---.

(Tim Scott is duly sworn.)

TIM SCOTT

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Scott, if you'd state your name full name for the record.

A. Timothy E. Scott.

Q. And you are employed with---?

A. McKinnis & Scott in Kingsport.

Q. And you have been doing mineral title examinations of, gosh, what, twenty or twenty-five years?

A. Almost thirty.

Q. Thirty?

A. Yes.

Q. And you did on behalf...at the request at what time was probably what Equitable Resources, you did---?

A. Yes.

Q. ---perform a title on this particular Yellow Popular tract, correct?

A. Yes, that's correct.

Q. And your title showed that the owner of the gas estate was Yellow Popular or their unknown successors?

A. Yes, that's correct.

Q. And you examined...in performing that title opinion, you examined all of the records available?

A. Yes, that's correct.

Q. And after...because of the peculiar nature of the bankruptcy and sort of no other conveyances coming out of them effecting the gas estate, did you perform, on behalf of EQT, what I'm going to call extensive and sort of extraordinary curative efforts?

A. Yes. As a matter of a fact, we...our office contacted the Secretary of States' office in Cook County, Illinois and that's where Yellow Popular Lumber Company was originally incorporated. We actually

contacted...there were two divisions, one in Evanston and one in Chicago. I was then told that I could have all of the information, you know, of course, providing the cost was not prohibited and we received the certificate of incorporation...the initial incorporators and basically the information about when it was administrative dissolved, which was in 1929. So, we also---

SHARON PIGEON: We can't hear you very, Tim, I'm sorry.

TIM SCOTT: Pardon me? Oh, I'm sorry.

JIM KAISER: The big box is blocking him. Is that better?

TIM SCOTT: Okay.

SHARON PIGEON: Thank you.

TIM SCOTT: We had determined that we had received all of the information from the Illinois Secretary of States' office indicating when the charter was issued and there were several documents in the file. It was fairly...actually fairly bleak indicating when shares were issued both preferred and common shares. Then there was an administrative dissolution of the corporation in 1929. We also were aware that Yellow Popular Lumber Company had moved

all over the place. Had several...several offices throughout the eastern part of the United States including New York City. We ultimately found that they had filed a bankruptcy petition, which initially was voluntary and then became involuntary. At that point...this was in South Carolina. We attempted to locate the bankruptcy file at that time and were told that unless we had a bankruptcy filing number they were not going to be of any benefit to us ask for it because we needed the actual case number. So, we sort of let it drop at that point.

Q. And the tract that you performed the title search it was roughly a 2,068 acre tract?

A. Yes, sir, that's correct.

Q. And is it true that Yellow Popular back in the early part of the 20th Century, the early 1900s they also owned some other tracts, correct?

A. Yes, they did.

Q. Okay. And there could have been different dispositions of those other tracts, would that be correct?

A. And there was. That is correct, yes.

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

BUTCH LAMBERT: So, Mr. Scott, the one tract that you was able to get the information on, the 2,000 acre tract, was that Buchanan, Dickenson or Wise?

TIM SCOTT: It's Buchanan County.

BUTCH LAMBERT: Just solely Buchanan County.

TIM SCOTT: And the Galley Friend who was actually a store owner in Dickenson was the President or Vice President, I think, of Yellow Popular Lumber at one point. He actually acted as Trustee. So, you'll find various deeds disposing of assets of the company including there was one lien holder who actually took the property back in lieu of a foreclosure proceeding. So, you find a number of tracts that have been disposed of, but for whatever reason this tract, even as big as it is, appeared to fall through the cracks.

BUTCH LAMBERT: So, I guess, the next question I would have then all of the cases that we are hearing and have heard on Yellow Popular deal with just that 2,000 acre tract?

JIM KAISER: That would be a question that probably should be addressed to either Mr. York or Ms. Barrett. I could answer it, but I'm not on the other side. We'll call

Ms. Barrett. She has been around it a lot longer than Mr. York.

RITA BARRETT: Yes.

BUTCH LAMBERT: All of them so far pertain to a 2,000 acre tract in Buchanan County---

RITA BARRETT: That's correct.

BUTCH LAMBERT: ---that Mr. Scott just testified about.

RITA BARRETT: That's correct.

JIM KAISER: So, any force poolings that we've filed over the years involving Yellow Popular have been for wells drilled on the 2,068 acre tract, correct?

RITA BARRETT: That's correct.

JIM KAISER: Thank you.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: Nothing further, sir. We'd just 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, but Donn.)

BUTCH LAMBERT: Opposed, no.

DONNIE RATLIFF: I abstain, Mr. Chairman.

BUTCH LAMBERT: One abstention, Mr. Ratliff. Thank you. It's approved. Calling docket item fourteen. A petition from EQT Production Company for pooling of coalbed methane unit VCI-531497, docket number VGOB-10-0615-2719. All parties wishing to testify, please come forward.

JIM KAISER: Jim Kaiser and Jonathan York. He has got the mine work exhibit again.

BUTCH LAMBERT: You may proceed, Mr. Kaiser.

JONATHAN YORK

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

A. Yes.

JIM KAISER: And we've got some revised exhibits.

BUTCH LAMBERT: Mr. York, if you'll pass your exhibits to...she will hand those out for us and make sure she has a copy. That would be good to that.

(Exhibits are passed out.)

Q. Okay, Mr. York, this is an increased density well, correct?

A. Yes, it is.

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

A. Yes.

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

A. Yes, it does.

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?

A. Yes.

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

A. 97.822824%.

Q. And the coal estate?

A. 100%.

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

A. Yes.

Q. Okay. What remains unleased within the gas estate is 2.177176?

A. That's correct.

Q. And the coal estate is 100% leased?

A. Yes.

Q. In this particular case, we do have just one unknown party in Tract 2, is that correct?

A. Correct.

Q. The Heirs of Emory Clyde Presley?

A. Yes.

Q. And that...in Tract 2 involves the G. W. Cook Heirs who we have forced pooled on several occasions?

A. Yes.

JIM KAISER: And I'm going to do a little grand standing here, Mr. Chairman. A lot of times we get beat upon about whether or not we do enough due diligence and whether or not we're really trying to find these people.

Well, the landman on this particular well was a gentleman that's here today named Mark Draper. Not only did he find all of these G. W. Cook Heirs except one, they like him so much they invited him to the family picnic. We've got a letter of evidence in that that we'd like to go ahead and put into the record. I think it's important to note those kind of things because when we started with this heirship, there was a bunch of them that weren't...that all of the different heirs didn't know where the other ones where. What that letter does is basically thank him for, you know, finding them and getting everybody back together.

BUTCH LAMBERT: Congratulations. Where is he? Oh, there he is.

MARK DRAPER: I'm one of the family now.

BUTCH LAMBERT: Are you changing your name?

(No audible response.)

Q. All right. So, in your professional opinion, due diligence was exercised to locate each of the respondents?

A. Yes.

Q. And you're requesting the Board to force pool all unleased interest 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, I am.

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

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

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

A. Yes.

JIM KAISER: And at this point, Mr. Chairman, I'd ask that we incorporate the statutory election option testimony taken earlier in 2716.

BUTCH LAMBERT: Accepted.

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

A. Yes.

Q. And that is for what tract?

A. Tract 2...for a portion of Tract 2.

Q. It would be all of Tract 2. You've got conflicting claims.

A. Oh, yes.

Q. So, it would be all of Tract 2, correct?

A. The split is on---

Q. Oh, I'm sorry. Yeah, explain why we revised our exhibits in this case.

A. Yeah, this goes along with when we revised the exhibit. We do have a split agreement between several of the G. W. Cook Heirs. The reason we have a reason, Michael Yelton had leased...submitted a lease by the time of our application, but we didn't receive the split agreement until after the application. So, we updated that and highlighted it on the exhibit. So, now he's included on Exhibit EE.

Q. So, all of Tract 2 other than that interest is subjected...should be escrowed?

A. Correct.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. Total depth is 2,929 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, it has.

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

A. It does.

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

A. Dry hole costs are \$154,397. Completed well costs are \$396,064.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. Yes, it does.

Q. In your professional opinion, would the

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

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 Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

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

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

JIM KAISER: Thank you.

BUTCH LAMBERT: Calling item fifteen. A petition from EQT Production Company for pooling of conventional gas well V-536901, docket number VGOB-10-0615-2720. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, again, it will be Jim Kaiser and Jonathan York on behalf of EQT.

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?

A. Yes.

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

A. Yes, I am.

Q. Does Equitable own drilling rights in the unit as depicted at Exhibit A?

A. It does.

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 percentage is under lease to Equitable in this unit? This is a conventional well. So, it's just the gas estate.

A. Yes. 61.03%.

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

A. Yes, they are.

Q. SO, 38.97% of the gas estate remains unleased?

A. Correct.

Q. We do have unknowns in Tracts 2 and 5, is that correct?

A. That's correct.

Q. And, in your opinion, were all reasonable and diligent efforts made to locate and identify these

unknown owners?

A. Yes, they were.

Q. Could you elaborate on what those efforts were?

A. Mail outs to last known addresses, visiting...going out and visiting last known addresses physically by contractors of EQT.

Q. And in addition, did contractors at EQT check deed records, probation records, assessor's records, treasurer's records and identify and check secondary sources such as internet searches, telephone directories, family and friends?

A. Yes.

Q. Okay. In your opinion, was due diligence exercised to locate each of the respondents named herein?

A. It was.

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

A. Yes.

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

A. Yes, I am.

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

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

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

A. Yes.

JIM KAISER: Again, Mr. Chairman, as to the statutory election options afforded any unleased parties, we ask that the testimony taken in 2716 be incorporated for purposes of this hearing.

BUTCH LAMBERT: Accepted.

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

A. Yes, it does.

Q. And what tracts...for proceeds attributable to which tracts?

A. Tracts 2 and 5.

Q. 2 and 5 out of Tracts 1 through 10, is that correct...1 through 16, is that correct?

A. Yes.

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

A. EQT Production Company.

Q. The proposed depth of this well?

A. 5,915 feet.

Q. Estimated reserves over the life of the unit?

A. 750 million cubic feet.

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

A. It has.

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

A. Yes.

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

A. The dry hole costs are \$289,518 and the completed well costs are \$525,452.

Q. Do these costs anticipate a multiple completion?

A. They do.

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

A. Yes.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

KATIE DYE: Second.

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

(No audible response.)

BUTCH LAMBERT: All in favor, signify by saying

yes.

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

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

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

BUTCH LAMBERT: Two abstentions, Mr. Prather and Mr. Ratliff. Calling docket item sixteen. A petition from EQT Production Company for pooling of coalbed methane unit VC-537188, docket number VGOB-10-0615-2721. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, again, Jonathan York on behalf of EQT. We have some revised leases or revised exhibits that will reflect some additional leases that we've picked up since the filing of the application. Again, we've provided Mr. Asbury with the information that was requested.

(Revised exhibits are passed out to the Board.)

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?

A. Yes.

Q. Does Equitable own drilling rights in this unit?

A. It does.

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. So, what percentage of the gas estate is under lease to Equitable or EQT?

A. Currently, 97.51193%.

Q. And the coal estate? The gas should have gone up.

A. It did just by...just very little, yeah.

Q. Okay. Well, point...can you point for the...do you have a copy of that? Did you have an extra one? Point out for the Board what additional lease or leases were picked up?

A. Yes. The revised exhibit is due to our ongoing leasing efforts. We have...since the application,

it appears we have leased Charlotte Odle Adkins, which is highlighted on Exhibit B, which changes our lease percentage ever so slightly. But it still changes it.

Q. By one-thousandths maybe?

A. Maybe, yeah.

Q. But...so, that is good evidence...so, it's your testimony that even after Wilhoit & Kaiser files these pooling applications, you continue to attempt to try to lease these unleased parties?

A. Of course. Always.

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

A. Yes.

Q. And so what remains unleased is—?

A. 2.487969%.

Q. Of the gas estate?

A. Yes.

Q. Okay. And, again, we have some unknown and unlocateables?

A. Yes.

Q. And would it be your testimony that all reasonable and diligent efforts have been made and sources

checked to identify and locate these unknown parties including primary sources such as deed records, probate records, assessor's records, treasurer's records and then ancillary secondary sources such as internet searches, telephone directories, city directories, family and friends?

A. Yes.

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

A. It was.

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

A. Yes.

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

A. I am.

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

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

Q. In your opinion, do the terms that you've

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

A. Yes.

JIM KAISER: Mr. Chairman, again, I'd ask that we incorporate the statutory election testimony regarding the options afforded any unleased parties first taken in item 2716.

BUTCH LAMBERT: Accepted.

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

A. Yes.

Q. And for what tracts?

A. Tracts 2, 3, 4 and 5.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,272 feet.

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

A. 225 million cubic feet.

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

A. It has.

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

A. Yes.

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

A. The dry hole costs for this well is \$118,920. The completed well costs are \$342,251.

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?

SHARON PIGEON: Could he restate the percentage of gas leased? I don't think his testimony matched your corrected exhibits.

Q. I think you're right. Yeah, restate the percentage of the gas estate that's under lease.

A. The percentage of the gas estate under lease I didn't have my...I didn't have this in front of me, 97.512031%.

SHARON PIGEON: Thank you.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

BUTCH LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

KATIE DYE: Second.

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

(No audible response.)

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

(All members signify by saying yes, but Bruce Prater and Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

BRUCE PRATHER: Abstain.

DONNIE RATLIFF: Abstain.

BUTCH LAMBERT: Two abstentions, Mr. Prather, and Mr. Ratliff. Calling item seventeen. A petition from EQT Production Company for pooling of coalbed methane unit VCI-539006, docket number VGOB-10-0615-2722. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, again, Jonathan York on behalf of EQT Production.

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?

A. Yes.

Q. Does EQT own drilling rights in this unit?

A. It does.

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 percentage of the gas estate is under lease to EQT?

A. 64.2%.

Q. And coal?

A. 100%.

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

A. Yes, they are.

Q. So, 35.8% of the gas estate remains unleased?

A. Correct.

Q. Okay. This unit, again, has a...the gas estate has a Yellow Popular Tract in it, is that correct?

A. Yes.

Q. And number 5...Tract Number 5 of the gas estate Bobby Owens is also unknown and unlocateable?

A. Yes.

Q. Again, would it be your testimony that all reasonable and diligent efforts were made and sources checked to identify and locate any unknown heirs---

A. Yes.

Q. ---including primary sources such as deed records, probate records, assessor's records, treasurer's records and secondary sources such as internet searches, telephone directories, city directories, family and friends?

A. Yes.

JIM KAISER: And, I guess, we'd also like to incorporate Mr. Scott's earlier testimony regarding Yellow Popular.

BUTCH LAMBERT: Accepted.

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

A. Yes, it was.

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

A. Yes.

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

A. I am.

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

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

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

A. Yes.

JIM KAISER: Again, Mr. Chairman, we'd ask that the statutory election option testimony taken earlier in 2716 be incorporated for purposes of this hearing.

BUTCH LAMBERT: Accepted.

JIM KAISER: Thank you.

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

A. Yes, it does.

Q. And for which tracts?

A. Tracts 3, 4 and 5.

Q. Okay. And 3 and 5 are for unknowns and 4 is for conflicting claim?

A. Yes.

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

A. EQT Production Company.

Q. What is the proposed depth of this well?

A. 2,415 feet.

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

A. 300 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. It does.

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

A. Yes. The dry hole costs for this well is \$121,896. The completed well costs are \$333,246.

Q. Do these costs anticipate a multiple completion?

A. Yes.

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

A. It does.

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

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Anything further, Mr. Kaiser?

JIM KAISER: Yes. I'd like to add. This is an increased density well. It is outside the window, but we will address that in the permitting process with Mr. Asbury and that...the address of that issue will show that there

are no correlative rights issues involved.

SHARON PIGEON: And this is located within the same 2,000 acre tract, more or less, that Tim Scott has already addressed for you?

JIM KAISER: No. This...that tract is actually a unit tract on this well. But, yeah...but the portion of Tract 3 where the gas estate is owned by Yellow Popular is part of the 2,068 acre tract, correct. The drill site is not actually on it.

BUTCH LAMBERT: Any further questions from the Board?

MARY QUILLEN: Mr. Chairman, just to clarify what Mr. Kaiser just said. That's it's include in the unit, but the drilling site is not on the Yellow Popular---?

JIM KAISER: Correct.

MARY QUILLEN: Okay. I thought that's what you said.

BUTCH LAMBERT: Any further questions?

(No audible response.)

BUTCH LAMBERT: Anything further?

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. Calling docket item twenty. A petition from EQT Production Company for pooling of coalbed methane unit VCI-538296, docket number VGOB-10-0615-2725. All parties wishing to testify, please come forward.

JIM KAISER: Jonathan York on behalf of EQT Production.

JONATHAN YORK

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

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

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

A. Yes.

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

A. 46.88%.

Q. And in the coal estate?

A. 100%.

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

A. Yes, they are.

Q. So, 53.12% of the gas estate remains unleased?

A. Yes.

Q. And that is represented by Tract 2 in the unit, which is, again, a unit tract and not a drilled site tract and it's a another Galley Friend/Yellow Popular Tract?

A. Correct.

JIM KAISER: Okay. Mr. Chairman, we'd as at this time that...

Q. Is this Tract 2 part of the 2,068 Galley Friend/Yellow Popular Tract?

A. Yes.

JIM KAISER: Okay. So, we would ask that Mr. Scott's earlier testimony be incorporated for purposes of this hearing.

BUTCH LAMBERT: Accepted.

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

A. Yes.

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

A. Yes.

Q. Again, are you familiar with the fair

market value of drilling rights in the unit here and in the surrounding area?

A. I am.

Q. Again, could you advise the Board as to what those are?

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

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

A. Yes.

JIM KAISER: Again, Mr. Chairman, we'd ask that we be allowed to incorporate the statutory election option testimony regarding any unleased parties first taken in 2716.

BUTCH LAMBERT: Accepted.

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

A. Yes, it does.

Q. For what tract?

A. Tracts 2.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,402 feet.

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

A. 230 cubic million...230 million cubic feet.

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

A. Yes.

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

A. Yes, it does.

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

A. The dry hole costs are \$143,463. The completed well costs are \$354,986.

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,---?

A. Yes.

Q. ---the prevention of waste and protection of correlative rights?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

(No audible response.)

BUTCH LAMBERT: Any 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, but Donnie Ratliff.)

BUTCH LAMBERT: Opposed, no.

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

BUTCH LAMBERT: One abstention, Mr. Ratliff. Calling item twenty-four on the docket. A petition from EQT Production Company for pooling of coalbed methane unit VC-536216, docket number VGOB-10-0615-2729. All parties wishing to testify, please come forward.

JIM KAISER: Mr. Chairman, again, Jonathan York on behalf of EQT Production.

BUTCH LAMBERT: Good afternoon, folks. Good you all please state your name for the record.

CATHY KEEN: Cathy Keen.

TERRY HUTCHINSON: Terry Hutchinson.

(Cathy Keen and Terry Hutchinson are duly sworn.)

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?

A. Yes.

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

A. Yes.

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

A. Yes.

Q. What's the interest in the gas estate under lease with EQT?

A. As the revised exhibit, I've passed out reflects, we did have a leased party that was leased after the application. The percentage now is 67.14%.

Q. And the percentage of the coal estate under lease?

A. 100%.

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

A. Yes.

Q. Revised Exhibit B-3?

A. Yes.

Q. And you've provided the Board with a B-2 showing the additional lease?

A. Yes.

Q. So, at this point, what percentage of the gas estate remains unleased?

A. The percentage that remains unleased is 32.86%.

Q. Okay. And a 100% of the coal estate is leased?

A. Yes.

Q. We do have one unknown and unlocateable party, is that correct?

A. Correct.

Q. The Heirs of Ross Hutchinson?

A. Correct.

Q. And were reasonable and diligent efforts made and sources checked to identify and locate the Heirs of this person including primary sources such as deed records, probate records, assessor's records, treasurer's records, and independent secondary sources such as internet search,

telephone directories and city directories?

A. Yes.

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

A. Yes, it was.

Q. And are you requesting this Board to force pool all unleased interest as listed in revised Exhibit B-3?

A. Yes.

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

A. I am.

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

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

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

A. Yes.

JIM KAISER: Mr. Chairman, again, we'd ask that the statutory election option testimony taken regarding any unleased parties first in item 2716 be incorporated for purposes of this hearing.

BUTCH LAMBERT: Accepted.

Q. Mr. York, the Board does need to establish an escrow account for...escrow account for this well, is that correct?

A. Yes, it does.

Q. And it will involve Tracts 1 through 11, is that correct?

A. Correct.

TERRY HUTCHINSON: Why does it have to go to escrow?

BUTCH LAMBERT: Mr. Hutchinson,

A. Tracts 2.

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

A. EQT Production Company.

Q. The total depth of the proposed well?

A. 2,402 feet.

Q. The estimated reserves over the life of the

unit?

A. 230 cubic million...230 million cubic feet.

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

A. Yes.

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

A. Yes, it does.

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

A. The dry hole costs are \$143,463. The completed well costs are \$354,986.

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,---?

A. Yes.

Q. ---the prevention of waste and protection of correlative rights?

A. Yes.

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

BUTCH LAMBERT: Questions from the Board?

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

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: What's this little red well down here for? Every other well on this...on this plat is identified. The little red one.

JIM KAISER: I don't know if that's a mistake or what it is or a stray mark.

BRUCE PRATHER: It's not one of Equitable's.

JONATHAN YARBOUGH: It's not identified on here.

JIM KAISER: Do you know what that symbol would be, Rita? It's not a well. Based upon the topo that we provided, which is a more extensive topo that was promised to Mr. Asbury, I'm going to...it's not a well. It's clearly not a well. We're going to state that it's a stray mark of some sort and if not...yeah, it wouldn't effect the wells...the well that we're talking about here anyway.

Some...it's a significant difference away...distance away rather. But we'll try to identify it for you.

BUTCH LAMBERT: Any other question for Mr. Kaiser?

(No audible response.)

BUTCH LAMBERT: Mr. Hutchinson or Ms. Keen. Both of you all are going to speak?

CATHY KEEN: Yes. I would like to. I mean, I really don't want to be leased. These parts shows that there's a conflict. I really don't have a conflict. I think I've gone by the law that passed that I own the gas.

BUTCH LAMBERT: Have you sworn them?

(Court Reporter indicates in the affirmative.)

CATHY KEEN: And I just want it on record that I don't want to be leased. I don't want to go on those grounds.

BUTCH LAMBERT: Okay. Thank you. Mr. Hutchinson.

TERRY HUTCHINSON: I feel the same way.

BUTCH LAMBERT: The same way, okay, thank you.

BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

DONNIE RATLIFF: If we vote on this, we're putting the money in escrow, is that right, Mr. Kaiser?

JIM KAISER: What?

DONNIE RATLIFF: If we vote on this petition, we're putting their money into escrow? They're saying they want to be paid direct.

SHARON PIGEON: They're saying they have no conflict.

BUTCH LAMBERT: They have no conflict and they don't want to be leased.

JIM KAISER: They're both owners of the gas estate in Tract 4 in the unit. Our title shows---

BRUCE PRATHER: The well---

JIM KAISER: Huh?

BRUCE PRATHER: The well is not being drilled on their property?

JIM KAISER: No. But because there's a conflicting claim between the gas estate in Tract 4 and the coal estate in Tract 4, then their interest would be subjected to escrow absent royalty split, litigation or arbitration.

BUTCH LAMBERT: Ms. Keen, didn't you say there was no conflict...you didn't have a conflict? You just didn't

want to be leased. Was that your statement?

CATHY KEEN: Yes. This states that there was a conflict. I mean, I know that, you know, what they mainly want from me is a right-of-way to get to the gas.

MARY QUILLEN: Mr. Kaiser, who did you say the conflict was with?

JIM KAISER: There are several. In this Tract 4 there are 1, 2, 3, 4, 5, 6 different undivided interest owners of the gas estate.

MARY QUILLEN: Oh, this is part of an Estate, is that correct?

JIM KAISER: No.

MARY QUILLEN: No?

JIM KAISER: No, the gas estate is owned by these parties of which both of these two individuals are a part of---.

MARY QUILLEN: Right.

JIM KAISER: ---and the coal estate is owned by ACIN. So, there is a conflicting claim. That's why it's going into escrow. I think what they're saying is they don't want to go into escrow. They want to be paid. Well--  
-.

MARY QUILLEN: But they're saying there is no conflicting...no conflict and you're saying there is.

JIM KAISER: Right.

BUTCH LAMBERT: I follow it now.

JIM KAISER: I think that's what they're saying, isn't it?

SHARON PIGEON: Uh-huh.

BUTCH LAMBERT: So, if we...again, to the best...we vote and approve then we're putting them in escrow?

SHARON PIGEON: Among others?

BUTCH LAMBERT: Along with others, yes.

JIM KAISER: (Indicates in the affirmative.)

BUTCH LAMBERT: Anything further? Any further questions from the Board?

(No audible response.)

JIM KAISER: We have no problem...if they want to come forward with proof that there is no conflict between the oil and gas and the coal and we'll be glad to amend the application and pay them direct. I don't have that.

BUTCH LAMBERT: Okay. Do you have---?

JIM KAISER: We've got title saying there is one.

BUTCH LAMBERT: ---such a document showing

there's...I know you stated there was no conflict. Do you have that information?

TERRY HUTCHINSON: Can we have a copy?

JIM KAISER: Huh?

TERRY HUTCHINSON: Can we have a copy?

JIM KAISER: You'd have to ask Equitable about that. But I would assume they will give you a copy of it.

TERRY HUTCHINSON: Thank you.

SHARON PIGEON: But you have some kind of title work, Mr. Kaiser, that tells you that there is a conflict because that's what you're representing---?

JIM KAISER: Right.

SHARON PIGEON: ---to the Board?

JIM KAISER: Right.

SHARON PIGEON: So, you're got something and, I guess, that sort of puts the ball in your Court. Do you have something to present?

CATHY KEEN: I don't have anything. I just...you know, with the coal, I know I don't own that. But the methane I should. You know, if they, you know...if they cross me to get to where they want to be, they're just going to take what I've got because I know I've got it.

BUTCH LAMBERT: You know you've got what?

CATHY KEEN: Gas.

BUTCH LAMBERT: Do you have a deed showing that you have gas?

JIM KAISER: Well, our title shows that they have gas. I mean, they're not incorrect.

SHARON PIGEON: But you've looked at the severance document?

JIM KAISER: Have I looked at it?

SHARON PIGEON: Yeah. Because you're---

JIM KAISER: No.

SHARON PIGEON: ---telling us there's a conflict. What are you relying on to tell us that?

JIM KAISER: I'm relying on some title opinions performed by another law firm.

BUTCH LAMBERT: So, we're left...we don't have any information other than testimony from both of you folks---

JIM KAISER: You've got our sworn testimony that there is a conflict.

BUTCH LAMBERT: ---from both sides. We have those too.

TERRY HUTCHINSON: We know nothing about the

conflict.

JIM KAISER: And they just said they don't know anything about the conflict.

TERRY HUTCHINSON: No. The paper stated that it was...there was a conflict. That's what we were trying to figure out.

BUTCH LAMBERT: Ms. Barrett, do you have a comment?

JIM KAISER: We'll be glad to work with them.

BUTCH LAMBERT: Would you like to come forward, please?

RITA BARRETT: Yes. As I told these two parties earlier today, I gave them my business card, I'm happy for them to come to our Clintwood office and sit down and explain to them, number one, the access issue that's she's talking about and, number two, how we determine what we determined. I'm not going to give them the chain of title, but I will certainly explain to them how we run a chain of title and how we come up this stuff. They're welcome to come to the Clintwood office and sit down with us to discuss it.

SHARON PIGEON: Well, the Board has now asked that you all provide the information in support of your

application to Mr. Asbury. Have you provided that---?

JIM KAISER: Starting in July.

RITA BARRETT: July.

BUTCH LAMBERT: Yes.

SHARON PIGEON: You haven't---?

BUTCH LAMBERT: No.

SHARON PIGEON: ---on this one?

BUTCH LAMBERT: Have not on this one. That starts  
in July.

RITA BARRETT: And we hope to have that information  
on the wells on this docket to Mr. Asbury prior to July.

JIM KAISER: Yeah.

RITA BARRETT: That's really the only thing left to  
give him out of everything that you requested last week.

SHARON PIGEON: We know we didn't have much time.

JIM KAISER: Yeah. And what we're trying to do is  
in the case conflicting claims, you know, just have a  
statement of title and in the case of the unknown and  
unlocateables have a statement from the landman  
exacting...telling exactly what efforts they took to try to  
determine who that unknown person was.

RITA BARRETT: A summary of their due diligence.

BUTCH LAMBERT: Okay. Ms. Keen and Mr. Hutchinson, do you all understand what we've been talking about and how we need to proceed (inaudible)?

(No audible response.)

BUTCH LAMBERT: So, any further questions or comments from the Board?

KATIE DYE: I just have one question.

BUTCH LAMBERT: Ms. Dye.

KATIE DYE: Ms. Barrett stated that she couldn't show them the chain of title or they couldn't have a copy. Is there some specific reason for that?

RITA BARRETT: I said I will be happy to talk to them about how we run chains of title, all the due diligence that we do and hopefully provide them with a copy of the coal severance deed if they want it to show them how we came to the ascertainment that they are a conflicting claim.

KATIE DYE: But you don't allow to have access to look at the chain of title that you done.

RITA BARRETT: They can look at the chain of title if they want, but that is considered attorney/client privilege because we pay a lot of money for these title opinions and my...whoever did the title opinion will have to

allow me...they can see it, but they just can't have a copy of it.

KATIE DYE: I just didn't quite understand what you were stating there. Thank you.

JIM KAISER: But the important thing will be severance deed.

RITA BARRETT: Right. And I'll be happy to give them a copy of the severance deed.

BUTCH LAMBERT: In turn, do you folks have a deed as well that says opposite of what they're saying there is a conflicting claim and you're saying there's not.

CATHY KEEN: I have the deeds. I'm not sure. I guess I just don't understand a lot of this. I mean, I've been sitting here today listening to all of this and the mistakes that are made are unreal with this whole process. I mean, it has just...it has been very interesting.

BUTCH LAMBERT: You've come before the Board and provided testimony that what they're telling us is not accurate, but yet you've not been able to provide us with anything differently. So, you've put us in a position that, you know, they have the proof and you don't have anything.

TERRY HUTCHINSON: I read somewhere in here that

there's some...there was supposed to be a conflict.

CATHY KEEN: The conflict is with the gas company and the coal company?

TERRY HUTCHINSON: Yeah.

JIM KAISER: The conflict is as to the ownership of the coalbed methane gas.

TERRY HUTCHINSON: I thought the state done passed that law that they coal company didn't want nothing to do with the gas. I don't know.

JIM KAISER: They...well, I'm not going to go into what I think the...I think the best thing to do would be for you all to take Ms. Barrett up on her offer to meet with you.

TERRY HUTCHINSON: We're willing to meet with her. We'd done told her we would.

JIM KAISER: Okay.

MARY QUILLEN: Mr. Chairman, I'd like to make a suggestion that might be more palpable for you all if we continue this item until the July meeting and then you would have an opportunity to meet with Ms. Barrett to...and she can help you to better understand if she sits down with you one on one to help you...walk you through what has taken

place and why there appears to be a conflict with the coal company. This would give you an opportunity to have some kind of a documentation that would show that there is or is not a conflict and this...to be fair to you all and to the company. You don't want to be escrowed. This would give you an opportunity to better understand the process and help you to kind of resolve some of the misunderstanding or the...of what the conflicts are. Does that sound fair to you, Ms. Barrett?

RITA BARRETT: That's fine with me.

JIM KAISER: And I might add to that. They might want to get their own representation because what nobody is saying and what I'm not sure a lot of people understand is that statute does not mean that every single coal severance deed in Southwest Virginia strips the coal company of any claim to CBM.

MARY QUILLEN: Right.

JIM KAISER: Okay, what it does is basically codify a Supreme Court decision that was based upon specific language in specific deeds. Okay? So, you might want to get somebody that has got some...to go with you to help you that understands how to read severance language and read

these. RITA BARRETT: But...never mind, I want say it.

BUTCH LAMBERT: Okay. I'm going to call for a motion in this case. I know, Ms. Quinn, that you have a suggestion, but do you have that in the form of a motion.

MARY QUILLEN: I would like to put that in the form of a motion.

BUTCH LAMBERT: Okay. Is there a second?

KATIE DYE: Second.

BUTCH LAMBERT: I have a second. Is there 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: This will be continued until July. Ladies and gentlemen, at this time, we're going to take a break. When we come back from the break, we're going to have a presentation from the folks at the Department of Miners, Minerals and Energy on the efforts that are taking

place to update the escrow account records that we have and to give you some idea of where we're headed. Mr. Mullins.

TOM MULLINS: Mr. Chairman, just as a matter of...to make sure that I'm schedule. I don't know what time the Board plans on breaking this afternoon. Is the Board, after this presentation, anticipate on finishing the docket today?

BUTCH LAMBERT: No, sir.

TOM MULLINS: I'm starting at item---

BUTCH LAMBERT: I don't think so.

TOM MULLINS: I'm item forty-five and on down. I just thought that if you didn't think you were going to get there, I'd go ahead and tell my folks that they could go home.

BUTCH LAMBERT: No, sir, I don't think we're going to get there. We're going to have this presentation and then we're going to back up to the presentation from the auditor. I'm positive we won't get there.

TOM MULLINS: Thank you, sir.

SHARON PIGEON: It would be a miracle.

JIM KAISER: Is there going to be anything other than those two?

BUTCH LAMBERT: No.

JIM KAISER: That's it?

BUTCH LAMBERT: That's it.

JIM KAISER: Just those two?

BUTCH LAMBERT: Yes, sir.

JIM KAISER: So, there won't be anymore---?

BUTCH LAMBERT: There won't be anymore. Just for information, after we hear this...when we hear the update from the auditor of the escrow account...this Board is going to go into close session to hear that report then that will conclude us for the day.

JIM KAISER: So, whatever else is left, we be continued over to July other than those two items?

BUTCH LAMBERT: Will be continued and you will be first of the docket.

JIM KAISER: Okay.

BUTCH LAMBERT: So, we're going to take a ten minute break real quick.

(Break. Before the Court reporter came back in the room, the Board resumed the meeting. There is a minute or so elapse of time not on the record.)

TODD RICHARDSON: ...our Senior Assistant Analyst.

We've been working on the request of Butch Lambert and some of the staff of DGO to look---

BUTCH LAMBERT: Can you speak Todd or can you move closer?

TODD RICHARDSON: Yeah. I'll get a mic.

SHARON PIGEON: These just go to her, I'm afraid. That won't help us here.

BUTCH LAMBERT: Yeah, you'll just have to speak up Todd. That's just a recording mic.

TODD RICHARDSON: Oh, I'm sorry. Okay, I'll speak up louder. My name is Todd Richardson. I'm with the Department of Mines, Minerals and Energy and I'm the IT Director. I have David Sanders. He's with our office of Information System's Management. He's our Senior Systems Analyst. Based on the request of Butch Lambert and our Division of Gas and Oil, we've been looking at the existing processes, procedures and data and some of the information that we have related to the escrow account and other things related to the Gas and Oil Board processes. So, what we did is one of the first things that we thought would be of use is we've developed a little prototype sample that we're going to talk about today. This would be put out on the Gas

and Oil website similar to what we have with the Gas and Oil Information System that's already out there and available. But our first effort is to establish a public facing Gas and Oil Board Escrow Account Value Estimator. What that is it provides a web based transparent public access to escrow account data, okay. We're going to talk about that today and show a demonstration of how this will work with the prototype that we have online in our agency right now. It provides current estimated value and last deposited value for all accounts in the escrow accounts. Updates are made monthly from the bank account update that we've received from the escrow account holder. This is just a real simple screen shot. David is going to take you through...actually a walk through of how it would work, but this is a screen shot of how it would look online. Go ahead and turn it David. This is the results screen. And what David is going to do is...this isn't production. This is out on our internet site today. We have it internally in our network in a production testing environment. We wanted to let the Board see it and give them an opportunity to review what we were doing. But the concept behind it is that someone can go online, put in their acreage, their percentage and then

see a current value in the escrow account based on the last month's report. So, I'm going to let David take you all through a live sample here.

DAVID SANDERS: And basically what you have got in your hands is a unit name. We're also working a map so that if you've got a geographic location, you can go out to the map and find what unit you're sitting on. We have a database with all of those units on them. You select a unit and it will go out to our database and find what docket number that unit was defined or described or you can actually...if you have a docket put the docket number in and it will return the unit code. The next field that they will enter is how many acres are in escrow. I'm going to make these numbers up. 23 acres. My individual part, which is the part that I'm concerned about, I've got 2.3 acres. Basically, what this will do now is go out last...I've got January's data. As you can tell, there's \$21,268 in that escrow account. The last deposit into that escrow account in January was \$45.38. So, the number is coming down here with my 1.87 acres mean that I have...I'm trying to see my numbers up there. For instance, \$1,680.31 is my personal value in that escrow account. This is only an estimate. Of

course, you know, you have to...it has to go before the Board and be distributed before that's an actual truth. But what we wanted to do was to give the public with a unit name, knowing how many acres was in escrow and how many that individual is concerned about a tool to go out and see how much money is sitting out there available in that escrow account.

Now, the second effort that we're going to make is actually taking the docket and scanning those so that any detail in the docket can be looked at online as well. So, in the process, we're looking at maps. We're looking at scanning the information so that scanned docket will be available and then a calculator to show what the current values of that escrow account are. Does anyone have any questions about what we've done right here or would like to ask anything about what we're doing with that?

(No audible response.)

Thank you for your time.

BUTCH LAMBERT: You don't get off that easy. Why don't you go ahead and update the Board on in the internal efforts in DGO on what we're doing that will enhance this program? What we're working internally...David, you may

want to address this one.

DAVID ASBURY: What DGO and we brought staff in from the field to assist with this to get it done as timely as possible is we're going back through each of the Board dockets again and we're identifying each docket and each unit...acres in each unit. We're identifying by individual and by tract and by ownership of acreage in each Board docket that are unknowns and unlocateables. There's several fields that we're going through to capture the data that's in each docket number. We're going through each segment of that. If you take one Board docket, it could have as little as 20 entries in it. Others will have as many as 800. We're going through each docket. At the end of that project, what we will be able to provide is first of all how many acres are in escrow from each unit and the total escrow acres in Virginia. It will be able to be tied to this information as far as calculating evolving. As disbursements are made or as payments are made into the escrow, it will be a live account as things happen both with the Board, with the Division, with disbursements and with monthly payments as they arrive from the First Bank & Trust. So, at the end of the project, what is known with petitions

and Boards will be all inclusive. If individuals in the public or anyone out there has an opportunity to ask a question about their specific ownership, they can come to this website and be able to answer their own question. Everybody in escrow at one point and time would have received Board documents, petitions and supplemental orders. In those orders, that information will be available to them to enter this data. What Todd and David are doing with the scanning process with us, is we're going to scan that information because a lot of people either put it under the mattress or, you know, have it somewhere where if they don't remember where they put it or can't find it. So, as another step and final step, if they don't know but they know they're in a particular Board docket number, they will be actually able to see a PDF file, all that petition and supplemental order and find themselves in that. When they find the PDF and find themselves, they will know, one, the tract, the unit and how much acreage ownership they may have. A lot of times it's less than a half acre. But they can even put that half acre into this formula and know if they've got a nickle and know if they got a \$1.27 or \$70,000. But this will give as accurate of a picture and as

transparent a picture that the Board and its staff can provide to the public on the current status of each unit for the Board escrow.

SHARON PIGEON: Do our current Board orders specifically state the acreage in escrow?

DAVID ASBURY: You have to...you have to do a function to sum it up. No, it does not. But it will be in the exhibit that we are, as a Division and staff, are going to be able to provide and link to. We will be able...we're actually putting in the acreage by individual and tract.

SHARON PIGEON: And that's for conflicting claimants too. I think you just said---

DAVID ASBURY: No. It's for unknowns and unlocateables.

SHARON PIGEON: Only for unknown and unlocateable. You're not doing this for conflicting?

DAVID ASBURY: It's by tract.

SHARON PIGEON: Okay.

BUTCH LAMBERT: It's the first step. Unknown and unlocateables is the first step.

DAVID ASBURY: Right.

BUTCH LAMBERT: We've got to get...in other words,

like somebody was saying...I think Mr. Prather was saying this morning, you've got to pick a pilot and work on that one and knock that one out and get...see if that works and then we'll move into conflicting claims.

DIANE DAVIS: We will have the tract acreage for everything that's escrowed. Just not the individuals.

DAVID ASBURY: Right. For conflicting claims, we will know acreage. We just won't know individuals---

SHARON PIGEON: The tract.

DAVID ASBURY: ---unless you go to the PDF.

SHARON PIGEON: You know it by the tract?

DAVID ASBURY: Yes.

SHARON PIGEON: Well, if it's conflicting claims, that's about all you can know anyway, I guess.

BUTCH LAMBERT: And if the agency...we we're dedicating staff to this project. We're taking folks...our inspectors, we've taking two of those out of the field, which I know...we know that has been an impact on the industry, but we feel like this is more important of a project that we need to get this done. We're also dedicating staff out of the Big Stone Gap office to do this. David talked and Todd talked about the scanning of the

documents or the dockets. That's going to take us about two months, we think, to knock that out with one dedicated person on that project. We'll start by doing that scanning with the next week.

DAVID ASBURY: Sometime by late fall or early winter, all of this should come together as far as the full package of additional transparency from the Board to the general public. So, again, we're working diligently as we can as the Board's staff to improve and enhance the process and the transparency.

BUTCH LAMBERT: Okay. Thank you, Todd. Thank you, David.

TODD RICHARDSON: Thank you all.

BUTCH LAMBERT: At this point, we'll go back to docket item number two and take up...I'm sorry.

RITA BARRETT: Are we allowed to participate in this?

BUTCH LAMBERT: Yes, absolutely. We're asking for...we'd love comments.

RITA BARRETT: I just wanted to state one thing---

COURT REPORTER: You need to come forward.

RITA BARRETT: ---just for me with EQT. I don't

have a problem if we have a well---

SHARON PIGEON: We want you on the record.

RITA BARRETT: I'm sorry. What I was going to say is I don't have a problem if somebody is on an EQT well and they have questions for the land department, I have no problem with my phone number being on this website for them to call me. If they want to know how to get money out of escrow or if they have questions because we want to get this money out too.

TODD RICHARDSON: We've discussed that.

RITA BARRETT: I'm sorry?

TODD RICHARDSON: We've discussed doing that. I'm glad to hear you offer to do that.

SHARON PIGEON: Thank you.

RITA BARRETT: I'm happy to do that.

BUTCH LAMBERT: Okay, well, thank you, Rita. We appreciate that.

DAVID ASBURY: Thank you,

BUTCH LAMBERT: Any other comments from the folks in the audience on the efforts that we started so far? Do you think it's beneficial? Do we need to continue? Of course, we're going to continue, but are there anything that

you can think of that we may add to this program that would be beneficial? Now, is the time to do it while we're developing it. If you don't have comments now, just give David a phone call or give me a phone call and we'll be happy to discuss those issues with you and see how we can enhance the program that we've started. Thank you. At this time then, we're going to jump back to docket item number two and take up Board Member Ratliff's comment on the reconciliation. I guess, Donnie, now, that you've seen it what we're going to do, do you see---?

DONNIE RATLIFF: Well, you're relying off bank statements. In our infamous eight page...eight day articles, there was an account...that escrow account was set up and there had not been any payments put into that account. How do we prevent that? That's what I'm trying to prevent.

BUTCH LAMBERT: Well, and to take that one further, we heard just this morning they're not sure if they're getting the check. Once they send it back, are they're getting it back again.

DAVID ASBURY: What you propose, Mr. Ratliff, would be an enhancement to and a check for the Board and for staff

to be able to do that and it's a good idea.

BUTCH LAMBERT: I think Ms. Quillen had recommended at one point maybe we talk about doing this monthly. I'm not so sure we need it that often. You know, I would propose at least semi-annually, if not yearly.

DONNIE RATLIFF: Some of them has got a lot of will, but everybody is shorthanded. If even took a December 31 date to start with and get everything up and running and then that gives them a chance the remainder of this year to reconcile everything and match it with their numbers and then do July 1 next year they'll know what's coming. Do July 1 in 2011 to report on 2010. Since we're in the middle of June right now, if you give them six months like we're giving them next year that puts you into December.

DAVID ASBURY: What, December will be for?

DONNIE RATLIFF: '09.

DAVID ASBURY: '09.

DONNIE RATLIFF: July 1 would be 2010.

BUTCH LAMBERT: Okay.

DONNIE RATLIFF: Once we see that number and once they establish their system then if we think that we need it more often, we can look at it again.

BRUCE PRATHER: I've got a question.

BUTCH LAMBERT: Mr. Prather.

BRUCE PRATHER: David, how many checks you have that...say that the check is sent back to the gas company and then it doesn't come back? How many instances do you recall that we have that? I mean, is it like 5% or 10% of the total or would it be less...I mean, I don't know. I'm just asking for some sort of a range of what kind of activity we're talking about.

DAVID ASBURY: With First Bank & Trust's recent experience, it's probably less than 3%, Mr. Prather. But it's still yet 3%. One check could be a large amount. We are following up with them, but there's...like Ms. Davis this morning, the checks and balances have to be in place. The enhanced communications and quarterly (inaudible) First Bank & Trust, we're getting those questions. Once we see that or she sends an email and let's us know, one of the things that we did put in place was if checks were returned there's a formal letter from First Bank & Trust as escrow agent back to the operator. We get copied on that. Then that spurs us to followup through the operator to see and ask that question. So, that process is in place now.

BRUCE PRATHER: I would anticipate that if we put this in process the activity would go down because the company should expect us to be coming back to them to inform them that, you know, this check showed up one time and it went back to them and it never came back.

DAVID ASBURY: Right.

BRUCE PRATHER: So, you know, we may end up two or three years from now it would be meaningless what we would be doing. But it would correct the problem that we've got now.

DAVID ASBURY: Well, as Ms. Davis said, it's improving. As we improve the process, it will improve the amount of money that we have in escrow now, a reconciliation and/or, yes, should be done frequently.

MARK SWARTZ: Is there going to be an opportunity for public comment?

BUTCH LAMBERT: On this?

MARK SWARTZ: Yes.

BUTCH LAMBERT: Please come up to the mic and identify yourself for the record, please.

MARK SWARTZ: Mark Swartz. CNX...just to give you sort of an order of magnitude here. CNX, I believe, has 468

accounts into which they pay escrow. You know, their records would allow them to tell you what they've paid into it, okay. But their records won't tell them or you what the bank thinks they have. If what you're looking for is to see what Anita does when she comes here for a disbursement, you know, she has taken the bank's records. She has compared them to the operator's payment records. Of course, we can't really account for the deductions for fees other than that they were posted, you know, and there were some earnings. But, you know, we can provide, I guess, a list of accounts on annual basis and we can provide on an annual basis and maybe even a back to day one...I'm not sure how easy that is, but I'm sure we can generate that, this is what we've put in that account. But, you know, the other piece of it is you're going to have to order the banks on some, you know, basis...I mean, I don't know what you're thinking here. If you're just looking at, we would like the operators to tell us how many accounts they believe they're paying into escrow so that David has some kind of cross check there. If you're asking the operators to generate, this is what we paid in this year or this is what we've paid in to-date and then next year it would be this year. I

think, you know, that's durable. But if you're asking for pre-disbursement the level of effort that is required to reconcile the bank's records to our records, I mean, that's a major, major job. As I sit here in the audience, I can't tell what you're expecting and I think you need to maybe---

DONNIE RATLIFF: The only thing, Mr. Swartz, that alarmed as a Board member was when I read in the Bristol paper that we had wells that escrow money should have been going into and there had been no deposits made. That's embarrassing for everybody. How do we...where's the check? There's not a check and balance. We do the pooling orders. You guys leave and we trust that everything happens in the right way after that and we don't have a check and balance system here until we get ready to do a disbursement on an individual basis and then they go back and look at the bank accounts versus what we say that should have been escrow. There's not a check and balance. I'm trying to figure out a way for us to check off and say CNX has done the right thing. Their numbers line up. That's all I'm asking. How do we do that?

MARK SWARTZ: From what I heard this morning, I would not have guessed that that was your concern, okay. I

don't mean that in a bad way. But if that is your concern, that's a different...completely different enquiry. I mean, that would be for the operators to provide David with a list of the wells that they have drilled that are subjected to pooling orders requiring escrow and a list of the wells that they've drilled that are in production that they believe are subjected to escrow and then we can see whether or not there's money in the...I mean, that...that is a...I understand now what you're concerned about. I think that's a fairly straight forward thing that we can do in a reasonable...the operators ought to be able to do in a reasonable amount of time to give David...this is where we think we are supposed to be so he can look at it and say you've missed this one or maybe he missed one.

DONNIE RATLIFF: That was...that was exactly mine intentions. Somebody else may have---

KATIE DYE: I think that to have true accountability here, which I think is...what is Mr. Ratliff looking for? We are going to have to look based on what it has produced, what was paid for what was produced minus any post production costs. That's where you get your real accountability. I'm not sure how you go about doing that.

BUTCH LAMBERT: Is Todd and Dav...David.

DAVID SANDERS: I'm listening.

BUTCH LAMBERT: What we just talked about wells drilled plus money put into escrow account, that's part of the program that we're working on with the information that we requested from the companies on the units, that's going to go into this system as well. So...and it will be tied to Board orders. So, David will have the ability to look at the map whenever he chooses and look at the Board order, which will be tied into the system...it will be a quick check and see if money was deposited based on production. Is that right?

DAVID SANDERS: Exactly. It may not be penny for penny like you say, but if you all have production against a well and we see no deposits into escrow, it will give us a flag to look into it.

MARK SWARTZ: Well, it's coming back to what, you know, Donnie was talking about and that is if there's production and it's subjected to an escrow order, there needs...there needs to be a periodic, you know, how to...what's going into escrow compared to the orders that require escrow so that everybody can kind of...I mean,

that's what I understand you're saying.

DONNIE RATLIFF: That's exactly right.

MARK SWARTZ: And if you...just looking at well production doesn't answer that question. So, what he's saying is, tell us what units you think you have an escrow requirement and that you're escrowing so that David can cross check that against whatever he wants including production records, which is what you're talking about. I don't...

that's different than what I understood this morning. It's give me a list so that we can cross check it to the orders that we've entered to see if everybody is on the same page. I mean, that...I don't have any heartburn with that. But if we're talking about obtaining substantial records from the bank---

BUTCH LAMBERT: No.

DONNIE RATLIFF: No, no, no.

BUTCH LAMBERT: No.

MARK SWARTZ: Well, I mean, sitting here listening this morning, I was concerned, you know---

DONNIE RATLIFF: No.

MARK SWARTZ: ---because when you're talking about

reconciling an escrow account, that's what I'm hearing.

DONNIE RATLIFF: Reconciling from your side.

MARK SWARTZ: All you're looking at is are you making a deposit is what you're saying.

DONNIE RATLIFF: Right.

MARY QUILLEN: Would this be easier to track? I mean, I know we have looked at it on an annual basis, but if it were done in a short...like a shorter period...reporting it on a shorter period rather than say twice annually or---.

MARK SWARTZ: Well, I don't think...what I understand that you're asking for now that once we do the first list, I don't think to update on a quarterly basis is even on...even on a quarterly basis is a big deal---.

MARY QUILLEN: And just update it on a...right, yeah, that's what I'm thinking. Maybe just update it.

MARK SWARTZ: ---now that understand. I mean, the first complete list and audit of our records so that we can give you the list is probably going to take us, you know, several months. But it's not going to take a huge amount of time. Then from then on, you know---.

MARY QUILLEN: You just add new---?

MARK SWARTZ: Right.

MARY QUILLEN: Yes.

MARK SWARTZ: You should just be looking at, you know, what did we do in the last three months and give you a list.

MARY QUILLEN: And then you update what you have already in the system and you---?

MARK SWARTZ: Well, you'll have that list.

MARY QUILLEN: That's what I'm saying. It would be updated and reporting it. So, quarterly wouldn't be out of the question.

MARK SWARTZ: Yeah, I don't see the frequency being an issue now that I understand what you're looking for. I mean, once we get the first one in. You know, because it's just not a big deal. You know, we'll have 30 a quarter maybe or 35 a quarter. I mean, it's not going to be...all of which may not require escrow. So, I mean, it's not...you know, we probably average 6 to 12 a month, you know, just for us. So, it's not going to be a big deal on a quarterly basis.

BUTCH LAMBERT: So, how about Range and EQT in this discussion? I know you all are sitting back there, but no comments.

MARK SWARTZ: Well, it's always, Mark, you're the bad guy. You go talk to them, you know.

(Laughs.)

BUTCH LAMBERT: So, they shoved you out there.

RITA BARRETT: I mean, I can't speak for our accounting department, but I would think that we would be able to do it quarterly or even more often if you need us to.

MARY QUILLEN: It seems like once you establish this and get it set up and get that information entered, all you're doing is maintaining it. That includes adding any new wells.

KATIE DYE: Would this information also provide like when we do a disbursement from escrow and we often see individuals come in and say they want a full accounting of what's being deducted from their share in this escrowed unit? Could...would this also provide that? Are we getting information to do that?

BUTCH LAMBERT: I think I understand the question. I believe the answer would be no. We don't...we wouldn't see all of that production...post production costs.

KATIE DYE: The gas companies could provide it to

these individuals if they requested it?

BUTCH LAMBERT: Yes, I would think they could. Is there any other questions?

(No audible response.)

BUTCH LAMBERT: After we go through this process of collecting the information and an individual in escrow wanted to see their post production deductions, is that---?

KATIE DYE: Yeah. Anything---?

BUTCH LAMBERT: Would the company be willing to show that---?

SHARON PIGEON: A full accounting, in effect.

KATIE DYE: Can you give them a full accounting of that?

RITA BARRETT: I think...I don't know. I can't answer for our accountant.

PHIL HORN: We can't speak...we'd have to have our accountant.

RITA BARRETT: Our account department would have to answer that.

BUTCH LAMBERT: Okay.

MARK SWARTZ: Well, except that the checks paid to the escrow agent on a monthly basis have that detail on

them.

BUTCH LAMBERT: Right, right.

MARK SWARTZ: So, the number will be on there.

BUTCH LAMBERT: Yeah, that's what I thought.

JIM KAISER: It's already there.

MARK SWARTZ: I mean, it's already there.

BUTCH LAMBERT: Yeah, that's what I thought. Okay.

KATIE DYE: So, that check would show the total amount that has been deducted from the time this unit went into escrow?

MARK SWARTZ: The escrow agent gets the same kind of a check that a royalty owner gets.

KATIE DYE: Okay. So---?

MARK SWARTZ: It shows the gross and the net interest. So, they...you know, I mean, it's there. The escrow agent has that.

SHARON PIGEON: Your check stub will not show though deductions by the escrow agent or additions, you know... interest payments into the account or deductions for costs.

MARK SWARTZ: Correct. No, we don't have---.

RITA BARRETT: Yeah, we can't do that.

SHARON PIGEON: So, it will be a little---.

MARK SWARTZ: But how we got to the royalty payment...the net payment that went to the escrow agent is no different than how we...what we show on our check detail that goes to somebody we pay directly.

RITA BARRETT: Ours is the same. Our royalty check show our deductions.

BUTCH LAMBERT: Okay.

DAVID ASBURY: That's part of the...excuse me, Mr. Chairman. As part of the process, step one is to make sure just like today we had a number of poolings that require escrow. Step one is to make sure these are filed timely and payments begin timely after the Board approves that escrow. That tracking mechanism can be enhanced. But that's step one. We've got a whole list on the monthly escrow agent's report to us of more than a 100...163, I think of units that have been approved over time and have zero money. Some of them have been closed and just left there. But we're...we're undergoing...in addition to this effort, we're undergoing the research to try to fix those and either take them off or find out why moneys are not in there.

BUTCH LAMBERT: Okay.

SHARON PIGEON: And these are some of the wells that are now part of gob unit wells. I mean, there's a variety of explanations on some of those.

DAVID ASBURY: There's a variety of explanations. Some of these are more than 10 years old as far as research and it takes time and staff. We're biting off a little bit as we can.

BUTCH LAMBERT: Okay. So, let me bring us back to the item that Donnie raised this morning about reconciliation of each unit. I think we've cleared up exactly what we're looking for. So, Donnie, would you like to put that in a form of a motion?

DONNIE RATLIFF: Yeah, I'll put it...I make that motion---

BUTCH LAMBERT: Okay.

DONNIE RATLIFF: ---but you describe it.

(Laughs.)

BUTCH LAMBERT: I was hoping you would.

SHARON PIGEON: You frame it and he'll make the motion.

BUTCH LAMBERT: From what I understand the motion would be that we would require the companies to submit

information as to moneys that they put into escrow for each well. We would ask them to do that by December of this year.

DONNIE RATLIFF: Of this year.

BUTCH LAMBERT: And, again, by...for 2009.

DONNIE RATLIFF: 2009.

BUTCH LAMBERT: And then for next...for 2010, we would ask that that be submitted by July of 2011. We would monitor that and if we needed it more frequently, we would just it in July.

DONNIE RATLIFF: Well said, Mr. Chairman.

BUTCH LAMBERT: Okay. So, that---?

DONNIE RATLIFF: That is my motion.

BUTCH LAMBERT: Ssh.

DONNIE RATLIFF: You framed it perfectly.

MARY QUILLEN: Second.

SHARON PIGEON: Took the words right out of his mouth so to speak.

BUTCH LAMBERT: So, we have a motion and a---.

MARY QUILLEN: Second.

BUTCH LAMBERT: Motion and a second. All in favor...is there any other discussions first?

(No audible response.)

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

(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you. Then it's passed and we'll record that as such and get a note out to the operators. Okay. At this time, we're going to drop into item number three on the docket. The Board will receive an update from Robinson, Farmer and Cox Associates relative to the escrow audit. Given the sensitive nature of this audit request and the discussions that we've had with the auditor, this Board is going to enter into close session at this time. Ms. Quillen, if you will read the motion that will take us into close session.

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 closed session for consultation with legal counsel regarding specific legal matter requiring the provision of legal advice by such Counsel.

BUTCH LAMBERT: Do I have a second?

DONNIE RATLIFF: I seconded that motion, Mr. Chairman.

BUTCH LAMBERT: I have a 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, at this time, we're into closed session. I'll ask everyone to please exit the room.

(Closed session.)

BUTCH LAMBERT: If you're ready, please read the motion to enter...to go back into open session.

MARY QUILLEN: Whereas, the Board has convened a closed meeting on this date of June 15, 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. We will take a recorded vote to reflect your vote. I will call your name. Katie Dye.

KATIE DYE: Yes.

MARY QUILLEN: Butch Lambert.

BUTCH LAMBERT: Yes.

MARY QUILLEN: Donnie Ratliff.

DONNIE RATLIFF: Yes.

MARY QUILLEN: Bruce Prather.

BRUCE PRATHER: Yes.

MARY QUILLEN: Mary Quillen. Yes.

BUTCH LAMBERT: Okay. Thank you. At this time, as a result of the closed session, this Board needs to vote on actions to move forward with the information that we heard from the auditor of the escrow account. That motion would be that we contact the Robinson, Farmer and Cox and instruct them that they need to do an RFP...a change order to the RFP to reflect additional work that this Board will ask them to

do and that work would be to include two wells from each company, EQT and CNX, to continue their audit by a total of four wells. In that change for the RFP, they need to include a specific amount of what those costs would be. So, do I have that in a motion?

DONNIE RATLIFF: So moved.

BRUCE PRATHER: 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: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Okay. So approved. Okay, I think the last order of business is to...the review and approval of the minutes from the last month's meeting. Has everyone had a chance to review those and are there any changes, either additions or subtractions?

(No audible response.)

BUTCH LAMBERT: If not, do I have a motion for approval.

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: Second.

BUTCH LAMBERT: I have a motion and a second. All in favor, aye.

(All members signify by saying aye.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you. Mr. Asbury.

DAVID ASBURY: One more thing. For Board consideration, all the packages that you're receiving now shortly we may have the opportunity to scan those orders in to a PDF...including the summary minutes instead of putting these in paper form to you. This is just for your consideration. We could scan these in and provide all of this electronically to you. I don't know if you would be able to review it adequately or not.

BUTCH LAMBERT: The problem...that's very good and I'd like to find a way to do that, but we need to figure out are each of us going to have computers because we're still going to have it with us. Me, personally, I don't know how we get around that unless I have a computer here that I can review it as we talk about it.

DAVID ASBURY: We could put it on the screen. We could put each item up on the screen.

BUTCH LAMBERT: We could do that. I notice all of us are looking at different papers and looking through it. I don't know how we're going to...that's a good consideration. But if we can figure out a way to do it, I'm all for it. I like electronic. But for this one---

SHARON PIGEON: Katie has dial up. You know, that would slow her down (inaudible).

BUTCH LAMBERT: Okay.

(Off record discussion.)

BUTCH LAMBERT: Meeting adjourned.

STATE OF VIRGINIA,

COUNTY OF BUCHANAN, to-wit:

I, Sonya Michelle Brown, Court Reporter and Notary Public for the State of Virginia, do hereby certify that the foregoing hearing was recorded by me on a tape recording machine and later transcribed under my supervision.

Given under my hand and seal on this the 14th day of July, 2010.

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NOTARY PUBLIC

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My commission expires: August 31, 2013.