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IN THE COUNTY OF RUSSELL

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

OCTOBER 25, 2011

APPEARANCES:

**BOARD MEMBERS:**

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

**CHAIRMAN:**

BUTCH LAMBERT - CHAIRMAN OF THE VIRGINIA GAS & OIL BOARD  
RICK COOPER - ACTING DIRECTOR OF THE DIVISION OF GAS & OIL  
AND PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD  
DIANE DAVIS - STAFF MEMBER OF THE DGO  
SHARON PIGEON - SR. ASSISTANT ATTORNEY GENERAL

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1 45) Minutes

2 BUTCH LAMBERT: Ladies and gentlemen, it's now 9:00  
3 o'clock. It's time to begin our proceedings for this  
4 morning. If you have any cell phones or other communication  
5 devices, please turn those off or turn them on vibrate.  
6 I'll ask if you do need to take a call, please take...do so  
7 out in the hall. These proceedings are being recorded and  
8 we need to be able to hear and our Court Reporter needs to  
9 be able to be sure that what she's hearing is actually Board  
10 business. So, take...take your conversations outside,  
11 please. At this time, I'd like to begin by asking the Board  
12 to introduce themselves and I'll begin with Mrs. Dye.

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

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

17 BUTCH LAMBERT: I'm Butch Lambert with the  
18 Department of Mines, Minerals and Energy. This morning we  
19 have with us a new Board member, Keith Allen Compton from  
20 Dickenson County, Clintwood. I'll ask, Allen, if you will  
21 please introduce yourself and tell us a little bit about your  
22 background.

23 ALLEN COMPTON: Allen Compton. I'm from  
24 Clintwood. I've been a private entrepreneur for thirty

25

1 years in business. I'm married to Patricia...my wife's  
2 name is Patricia. We dated for twelve years and been  
3 married for eighteen. She has a daughter and I have a  
4 daughter. I'm a member of the IDA, Co-Chairman, and  
5 Chairman of the Planning Commission. I'm a member of the  
6 Board Zoning Appeals and I'm glad to be aboard. Thank you.

7 DONNIE RATLIFF: I'm Donnie Ratliff from Alpha  
8 representing coal.

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

11 MARY QUILLEN: I'm Mary Quillen, a public member.

12 BUTCH LAMBERT: Thank you. At this time, we'll  
13 enter into public comments. First off, I have Juanita  
14 Sneeuwaght.

15 JUANITA SNEEUWAGHT: Good morning.

16 BUTCH LAMBERT: Good morning.

17 ALLEN COMPTON: Good morning.

18 DONNIE RATLIFF: Good morning.

19 JUANITA SNEEUWAGHT: I want to say welcome to Big  
20 Al as he is referred to over in Dickenson County. The first  
21 time I saw him, I'm getting gas at his gas station, 83 Gas.  
22 He's approaching my car and I didn't know who he was. It  
23 was pretty funny because he was being friendly. But I told  
24 him had he been in the city area, probably...there's a

25

1 possibility he may have encountered some problems.  
2 So...but anyway, he was pretty funny. He laughed about it  
3 later. It's really, really good to see somebody here from  
4 Dickenson County. I think we've needed some representation  
5 for some time. And---

6 BUTCH LAMBERT: Well, Ms. Sneeuwaght, I'm from  
7 Dickenson County.

8 JUANITA SNEEUWAGHT: Well, I know but you're way up  
9 there...you're way up there.

10 (Laughs.)

11 JUANITA SNEEUWAGHT: You're in the hollow. He's  
12 kind...not my neighbor, but kind of sort of...I apologize.  
13 I will not neglect you from now on, Mr. Chairman.

14 ALLEN COMPTON: Butch and I went to Sunday School  
15 together.

16 (Laughs.)

17 JUANITA SNEEUWAGHT: Okay. It's good we start off  
18 the meeting with a laugh. We all need that. Things can get  
19 too serious once in a while. I won't forget that again,  
20 Butch. Excuse me, please. So, I expect during your  
21 orientation one of your responsibilities, hopefully that  
22 was mentioned to you, is to protect the correlative rights  
23 of the people. So, I just wanted to welcome aboard. Also,  
24 there was a change in the date of the meeting for this time.

25

1 I got word by trial and error. I don't know if there's a  
2 better way to get that out to the public or if you recommend  
3 that we just call up a couple of weeks a head of time the  
4 office and say is the meeting still on for the third Tuesday  
5 or the fourth Tuesday or that sort of thing. So, anyways,  
6 I'm sure you had reasons for making the change one week later  
7 this month.

8 BUTCH LAMBERT: Yes, ma'am. We failed to have a  
9 quorum.

10 JUANITA SNEEUWAGHT: Yeah. But I'm just saying not  
11 everybody knew that. So, I'm glad we did find out. That's  
12 about all I had. My name is Juanita Sneeuwaght and I am  
13 president of committee for constitutional and environmental  
14 justice. I hope we have a good and productive day. Thank  
15 you for your time.

16 BUTCH LAMBERT: Thank you. Mitchell Counts.

17 MITCHELL COUNTS: Good morning. My name is  
18 Mitchell Counts. A lot of you people know me. I don't  
19 guess you do. I've been coming here for a year trying to  
20 figure out a way to get my money out of escrow for gas that  
21 was stolen off of me or at least I protested the force pooling  
22 and everything else. But the only thing new that has  
23 happened with me in the last month is I wrote Hurt McGuire  
24 a letter ask them to release the funds. It seems like me

25

1 and CNX Gas and Hurt McGuire is on the money that is in  
2 escrow. Well, they answered my letter. But they did it  
3 through a law outfit called Gillespie, Hart, Altizer &  
4 White. They pretty much said that I had disturbed their  
5 coal seams and fractured into...more or less entered their  
6 property in retrieving my gas I had disturbed theirs. Well,  
7 I didn't do any of that because I protested in taking the  
8 gas to start with. Well, I got to looking through my papers  
9 and Altizer, Walk & White in July of 1997 did work for what  
10 was then Pocahontas Gas. The same law outfit that works for  
11 Hurt McGuire seem to be working for Pocahontas Gas. Well,  
12 when they did the work for Pocahontas Gas they came to the  
13 conclusion that I did own the gas and everything except the  
14 coal. I was just wanting to make it public knowledge that  
15 we had some real strange bed fellows, you know,  
16 during...doing all of this work behind our backs. I don't  
17 think the public is informed very well. I think the gas  
18 company should be making the effort to pay...to get people's  
19 money out of escrow to help the people...it's their money.  
20 There's no...there should be no such thing as a split  
21 agreement not when the owner owns the gas outright. For  
22 Hurt McGuire to say that I disturbed their coal seem is  
23 crazy. I didn't do anything besides make a protest. Now,  
24 if CNX owns them money, that's another thing. But I'm still

25

1 struggling the get through this by myself without having to  
2 pay a lawyer a third of it. I appreciate your alls time.  
3 Have a nice day.

4 BUTCH LAMBERT: Thank you, Mr. Counts. Catherine  
5 Jewell.

6 CATHERINE JEWELL: I'm going to hand out some stuff.

7 (Catherine Jewell passes out informational  
8 sheets.)

9 CATHERINE JEWELL: Okay. My name is Catherine  
10 Jewell. Some comments on my own behalf. I spoke about  
11 a...over a year ago concerning...well, with my concerns on  
12 the horizontal wells that have been approved by this Board.  
13 At the time these wells were generally approved, there was  
14 about 320 acres or the equivalent of five Nora Coalbed  
15 Methane units or three conventional wells. With about  
16 every application for these horizontal wells, the Board is  
17 presented with the same justification for these wells that  
18 they more effectively extract the resources, that you have  
19 higher depletion rates, shorter lives to these wells, that  
20 they will encourage development of the resources, that the  
21 laterals can reach into other areas inaccessible by vertical  
22 bore holes, less surface disturbances and fewer issues with  
23 coal mining. This Board is yet to be presented with  
24 information from the operators showing how these wells are

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1 performing over time. They are not. In fact, the cost and  
2 the extent of the surface use, disposal of production fluid  
3 and the drilling materials and the water required to drill  
4 these wells and the risk are far greater than the benefits.  
5 Since these operators still have not presented this Board  
6 with the production results of horizontal drilling, I am  
7 providing an update to my past public comments on this  
8 subject. Over a year's worth data for each well is now  
9 available from the last time that I spoke on this subject.  
10 I thought it would be beneficial to follow the performance  
11 of these wells. Unfortunately, for the majority of these  
12 wells the last month of production provided on line is March  
13 of 2011. The data shown is that which has been reported to  
14 the DGO. There are about a 115 permits that have been issued  
15 for horizontal wells for EQT and Range Resources.  
16 Production is available online for about 50 of these wells.  
17 For practically everyone of these wells the highest  
18 production is achieved during the first full month the well  
19 is on line. After 28 to 36 month of production, those wells  
20 lose roughly 75% to 80% of their initial production. All  
21 of these wells show steep initial decline curves. Based on  
22 testimony from the operators, these wells are not expected  
23 to have a long life. So, even if a well after two and a half  
24 of years has a production typical of a...say EQT coalbed

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1 methane or conventional well it is not expected to last long.  
2 In many cases, these wells are not being drilled as an  
3 alternative to conventional wells. They are being drilled  
4 along side conventional wells where the regulations would  
5 not allow for the drilling of additional conventional wells.  
6 If we look at the production from this...and if everybody  
7 can just take a short look at this thing, assuming that this  
8 production is accurate. In other words, assuming that this  
9 is reported from the companies and that there is not two  
10 books, which I assume there's not, you can look at this and  
11 you would ask...the immediate question would be who the heck  
12 would invest in these wells unless there was a substantial  
13 tax benefit to offset their losses. Now, I've looked at  
14 wells more recently drilled to see if this pattern  
15 continues. Okay, it does. The new ones show the same  
16 pattern that I've seen since the first ones that we have is  
17 June, 2008 and following those through. Okay, with gas  
18 prices hovering around four dollars for the past two years  
19 due in large part to over production elsewhere and with the  
20 outlook for increased prices looking deem, one has to wonder  
21 why anybody would drill a well in which 75% to 80% of your  
22 production would be recovered within the first three years.  
23 And for a rough estimate of how much these wells have made,  
24 the math is done at the bottom, okay. Let's say that four

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1 dollars. Okay, we multiple that by the production here,  
2 okay. Then you multiple it by one-eighth and that would be  
3 a royalty share, okay. Now, let's say that a person had  
4 thirty-two acres. In other words, they own 10% of this  
5 unit. On this chart, I show you what their average pay would  
6 be expected for the time that these wells produced, okay.  
7 So, you can look at that range. Then you can look at what  
8 the latest pay, which is based on the date that I have from  
9 March, what it would look like and you might want to compare  
10 that to, I don't know, a coalbed methane well that costs,  
11 what, one-fourth of one of these wells. But in any rate,  
12 the operators have testified that the estimated reserves of  
13 the life of these wells in the neighborhood of 900 mmcfs.  
14 For the best well, that would be 1949, it would take at least  
15 thirteen years to achieve that if there was no further  
16 decline in production. The other wells would require  
17 anywhere from thirteen to one hundred eighty-two additional  
18 years to achieve, assuming there was no further decline in  
19 production. This is assuming there is no further decline  
20 in production is assuming that we suspend the laws of known  
21 gas and oil production, okay. So, the production will  
22 decline. But I'm making the assumption that there won't be  
23 any decline. To the best of my knowledge and based on the  
24 completion reports that I've reviewed, each one of these

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1 horizontal gas wells have been drilled into and stimulated  
2 only one of the gas bearing seams. Yet these pooling orders  
3 essentially give the operators control over all of the known  
4 conventional gas seams/zones. In other words, this Board  
5 condemns not just the seam which the well will be producing  
6 from, but all other seams are handed over to the control of  
7 the operator so that if a person wanted another operator to  
8 work the seams or wanted to wait until technology allowed  
9 for the working of additional seams or perhaps the price of  
10 gas was higher he could not because you've condemned all of  
11 his seams. But proving these horizontal units, the Board  
12 is wasting gas resources. That is production of a minimum  
13 amount of gas at twice...at the time when the value for that  
14 gas is low. Now, I realize that most of the gas owners where  
15 these wells are drilled have been leased. In fact, the  
16 number one gas owner is Range Resources, however, Range  
17 doesn't own the surface...seldom owns the surface. I have  
18 spoken to some of the other leased gas owners and what they  
19 have told me as to the prospects of this well is not  
20 consistent with what the data is showing. So, what they  
21 have been told is not consistent with what this data has been  
22 showing. So, for the best results, a person owning 32  
23 acres, and I'll repeat this because it's important, 32 acres  
24 in a 320 acre unit or one-tenth signs a standard EQT/Range

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1 Resource lease would probably have received on the average  
2 376 per month for the first 32 months of the well for the  
3 best well. The rest of the ones average three dollars to  
4 224. Well they range between that and they average a 122.  
5 So, you know, look at these pooling order...pooling  
6 applications that you're receiving. You know, is it  
7 justified that you can condemn every single one of these  
8 seams to the gas owner to produce or maybe you should just  
9 revise these pooling orders and say if they want to produce  
10 from the Huron shale and you look at the completion reports  
11 and they are only producing from one then you should only  
12 condemn one. If you think these wells are in fact  
13 justified, which I don't think they are. In short, some of  
14 the questions that I would ask if I was sitting on the other  
15 side of this table, which would be what is the life span of  
16 these horizontal wells? Have any of these wells been  
17 restimulated after initial completion, if so, what are the  
18 results? Explain the production and steep decline in two  
19 and a half to three years. What...when do you plug the  
20 wells? At what point does it cost you more to maintain these  
21 wells even when you look at the marginal production...  
22 marginal well production tax credit then you receive out of  
23 it? Explain where the source of water is obtained for  
24 drilling the wells and what is monitored, what drilling

25

1 fluids are used, how much water is required and how much time  
2 is allowed for the cement to set before drilling continues.  
3 Does the industry ask for waivers from this time, which they  
4 do if you look in the drilling reports? Where is the  
5 material...drilling material deposited...deposited of and  
6 what is tested in this drilling material? An example...and  
7 what is the bond required for these wells? Well, you've got  
8 a blanket bond for each one of these companies, a hundred  
9 thousand dollars. You have 3,000...more than 3,000 wells.  
10 What does that result? Thirty-three dollars per well is  
11 your bond for these horizontal wells. The wells costs 1.2  
12 million dollars. Something is wrong. Well, other things  
13 are wrong too. But that's all I have to say. Thank you very  
14 much.

15 BUTCH LAMBERT: At this time, before we move to our  
16 second docket item, I'd like to ask Mr. Cooper and Ms. Davis  
17 to give us an update on the meetings that you have been having  
18 with the industry in relation to what was being required from  
19 this Board as a result of the APA audit.

20 RICK COOPER: In regards to the APA audit we have  
21 established some guidelines. The group set up the  
22 representatives of the industry, DGO staff and escrow agent.  
23 We've developed an electronic system for reporting. We've  
24 put that...we have a process in place and we hope to

25

1 implement that starting December the 1st for people to start  
2 submitting electronically the information to us, the  
3 operators.

4           Secondly, we also have put on our website for  
5 anyone that needs to know the monthly escrow that we get.  
6 So, if you need to know how much is in an escrow account you  
7 can go onto our website. It's posted monthly on there.

8           The other thing that we have done with regards to  
9 the audit, we've asked the operators to start reporting  
10 working interest on the escrow account. What they need to  
11 do on that is at one time...a one time total of all of the  
12 moneys into the escrow account would be shown in 2011. From  
13 that point forward, we will show the working interest on that  
14 account.

15                     Anything else, Diane?

16                     DIANE DAVIS: Just that we have not sent the letter  
17 out to the operators yet, but we will be requesting that they  
18 provide that working interest amount at the end of December.  
19 We will start a cumulative total and proceed with that and  
20 it will be a part of the monthly reporting, just for  
21 clarification.

22                     RICK COOPER: One other thing in regards to the  
23 audit, we've had...the Board has assigned three people to  
24 work on escrow account. I want to report that we're almost

25

1 through CNX. We should finish CNX somewhere before  
2 Thanksgiving and that's about 55% of all of the escrow  
3 information. From that point, we'll start on EQT. So,  
4 we're hoping that we can finish that somewhere around spring  
5 or early summer of next year. We are making some headway  
6 on that.

7 BUTCH LAMBERT: So, we're on track for our projected  
8 completion date of spring.

9 RICK COOPER: Spring---.

10 BUTCH LAMBERT: That's what we initially said when  
11 we started this process.

12 RICK COOPER: Correct. That is correct. We're on  
13 target.

14 BUTCH LAMBERT: I guess you can give us an update  
15 too on our internal auditor at DMME who has looked at the  
16 work that has been ongoing with the three ladies doing the  
17 audit.

18 RICK COOPER: He has looked at that and he found an  
19 item or two, but overall it's looking pretty good. It seems  
20 to be working out pretty good.

21 BUTCH LAMBERT: I think I had a discussion with Mr.  
22 Gregory who is our internal auditor and what he has found  
23 is that there has been less than a 2% error that he has come  
24 across in our process, which is acceptable accounting

25

1 practices.

2 RICK COOPER: Right. We were assuming maybe a 5%  
3 error is what we were assuming. We're doing a little better  
4 than that.

5 DIANE DAVIS: We can add that he indicated at his  
6 last meeting with us with the people doing the information  
7 gathering for the Board that at the conclusion of CNXs we  
8 would get back together, review and see where we are at that  
9 point and what we needed to do and maybe clarify some of the  
10 things that we're doing to make certain it's following  
11 within all the guidelines of the APA and what he needs. So,  
12 he has done a very good in keeping track of what the people  
13 are doing and what we're providing and the data that we're  
14 looking at.

15 BUTCH LAMBERT: I think it's probably important to  
16 note too and, Rick, correct me if I'm wrong, that the less  
17 than 2% error rate that he discovered is not an accounting  
18 error it's an input...data input errors.

19 RICK COOPER: They're data input errors. That is  
20 correct. Not an accounting error.

21 BUTCH LAMBERT: Okay. I thought it was important  
22 just to give you an update of the process that we're having  
23 to go through as a Board in answering the audit issues that  
24 was discovered from the state auditor. So, we're

25

1 progressing with that. With the implantation of requesting  
2 the electronic submittal of information we're going to meet  
3 the two major issues that was identified that we needed to  
4 correct weekly. We will be writing those procedures and  
5 getting those out shortly. Okay, thank you. Thank you,  
6 Rick and Diane. The next item on the agenda is the Board  
7 will receive an update regarding disbursement trends from  
8 the Board escrow account from First Bank & Trust. So, if  
9 those folks will please come forward. Good morning.

10 DEBBIE DAVIS: Good morning.

11 KAREN McDONALD: Good morning.

12 BUTCH LAMBERT: Thank you all for taking the time  
13 to be with us this morning.

14 DEBBIE DAVIS: Thank you. My name is Debbie Davis.  
15 I'm the trust officer of the escrow account for the Board.

16 LEETON HARDING: I serve as executive vice  
17 president of First Bank & Trust Company.

18 KAREN McDONALD: My name is Karen McDonald and I'm  
19 the trust investment officer for the escrow account. Good  
20 morning.

21 DEBBIE DAVIS: Under the first tab, you will note  
22 the spreadsheet of the activity for the past month. In the  
23 escrow account as of 9/30, we have an ending market value  
24 of \$28,262,238.62. The line highlighted in yellow are

25

1 wells that have initially received money in the month of  
2 September. We're trying to keep better track of when those  
3 move from the unfunded over into the funded, the list.

4 MARY QUILLEN: Debbie, are there many of those? It  
5 looks like---

6 DONNIE RATLIFF: No.

7 MARY QUILLEN: ---there's two.

8 DONNIE RATLIFF: There's two on page seventeen.  
9 There's several.

10 DEBBIE DAVIS: There's about six of them.

11 DONNIE RATLIFF: Yeah, that's about right. Two on  
12 nineteen.

13 MARY QUILLEN: Okay.

14 DEBBIE DAVIS: There is a chart at the end that let's  
15 you know what each color stands for. The green are moneys  
16 that I'm not allowed to accept...I'm not allowed to accept  
17 moneys from due to the order being expired or other issues.  
18 Since we are trying to tack those working interest deposits,  
19 I have those highlighted in a light tan color to let me know  
20 as moneys are coming in to kind of look to make sure that  
21 the checks are showing the two deposits. Of course, like  
22 I said, previously the yellow was for new moneys coming into  
23 wells that would not accept money...or not have moneys  
24 received before. Pink shows that there was disbursements

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1 made and by the disbursement order the well was actually to  
2 be closed so that I was not allowed to accept moneys any  
3 further. I also had a purple, which is not a full line, but  
4 if you will note on page four of the twenty-three under the  
5 royalty deposits, there had been some overpayments that were  
6 paid out in years past. I know Mr. Asbury had worked on this  
7 before he had left and Rick really pushed this one on through  
8 to have those producers refund the moneys that they were  
9 overpaid. So, that is showing that we did get all of those  
10 back in.

11 DONNIE RATLIFF: So, does that clean that situation  
12 up? Is that the last of them?

13 DEBBIE DAVIS: Yes. To the best of my knowledge.  
14 Rick, that is clear that one situation up?

15 RICK COOPER: It is clear. Yes.

16 DONNIE RATLIFF: Thank you.

17 DEBBIE DAVIS: He worked very hard on getting that  
18 refunded.

19 MARY QUILLEN: Yeah. We saw some of the  
20 correspondence back and forth. We know.

21 DEBBIE DAVIS: Is there any other questions on the  
22 spreadsheet. And you will note from our meeting with the  
23 electronic processing I have started doing the (inaudible)  
24 units separately. It's at the very back of the spreadsheet.

25

1 Just so that electronic submission will be easily  
2 understood.

3 BUTCH LAMBERT: By the way, Ms. Davis, thank you for  
4 your work with us and the industry in helping us compile a  
5 spreadsheet that we all could work with. It makes all of  
6 our jobs easier.

7 DEBBIE DAVIS: Yes. I will have to say I probably  
8 did it for personal reasons.

9 (Laughs.)

10 SHARON PIGEON: The best reason of all.

11 DEBBIE DAVIS: That's right. But the best thing to  
12 do is to make sure is to make sure that everybody is showing  
13 the same thing.

14 BUTCH LAMBERT: Absolutely. Again, I can't thank  
15 you enough for your hard work in that effort.

16 DEBBIE DAVIS: Well thank you. I've also...I'm  
17 going to try under tab two, I showed you all this last month  
18 and I think that it should be something that I do report out  
19 quarterly now to you all, is this outstanding check list just  
20 to give you an idea of those checks that are still not being  
21 cashed and that, you know, these checks have been issued and  
22 by the State Law of Virginia, they will be escheated to the  
23 State of Virginia in five years whether, you know...so, if  
24 the people are holding them...you know, if they don't cash

25

1 them they will get escheated and then they will have to work  
2 with the State to get those funds back.

3 BUTCH LAMBERT: Okay. Is that five years from the  
4 issue date that you have here?

5 DEBBIE DAVIS: Yes.

6 BUTCH LAMBERT: Okay. Thank you.

7 DEBBIE DAVIS: That is five years from issue date.  
8 They also get tax reporting whether. It's cashed or not,  
9 you know, they will get their 1099 and the IRS will receive  
10 that information as well.

11 MARY QUILLEN: I wonder if these people are aware  
12 of this. If they think that they hold that check that means  
13 that they still---

14 DEBBIE DAVIS: I brought that out last month and  
15 I figured each time that present this, you know, this way  
16 maybe word will get out that that's the case.

17 BUTCH LAMBERT: Ms. Duty was here. But I think that  
18 the last time that we talked about this she was going to go  
19 back and try to recontact some folks and---

20 DEBBIE DAVIS: Yes, I think she was. Too, this will  
21 also give the producers the opportunity...you know, if I'm  
22 showing an incorrect address for somebody, you know, maybe  
23 they have a correct address, which brings back our point of  
24 when they're doing these disbursement orders getting a

25

1 current and an update W-9 because people do move and, you  
2 know, names change by marriage and, you know, different  
3 situation of that.

4 DONNIE RATLIFF: But if we've got an unlocateable,  
5 why wouldn't we...rather than let that escheat back to the  
6 State, why wouldn't we put that in that escrow account?  
7 Just put it back in there until Edna Sue Bailey. We don't  
8 have an address. So, she's an unlocateable.

9 DIANE DAVIS: Mr. Chairman. One of the reasons  
10 that we don't want to put it back in it messes up all of the  
11 disbursements that have followed that. The very best thing  
12 we could do would find another place to put that money  
13 because once you've disbursed and you've reduced it back  
14 acreage and everything, it would effect future  
15 disbursements done on that particular tract if you put that  
16 money back in.

17 BUTCH LAMBERT: We've had a lot of discussions with  
18 the---. Help me.

19 SHARON PIGEON: Treasury Department.

20 BUTCH LAMBERT: ---Treasury Department---.  
21 Thank you.

22 SHARON PIGEON: That's quite all right.

23 BUTCH LAMBERT: ---on that very issue. If it's  
24 idled money, then we don't have any choice but to escheat

25

1 it. If it's not...in other words, we can't put it back into  
2 escrow. If it's designated for one party and it's sitting  
3 out there unclaimed then it has to be escheated.

4 BRUCE PRATHER: Aren't some of these tied into  
5 litigation? In other words, the Judge has put a hold on  
6 these things. So...they're not?

7 DIANE DAVIS: Some of these...I have had several  
8 people come and ask...they weren't sure they wanted to cash  
9 their check because it might change with litigation. My  
10 comment is to them as I have been told is you need to seek  
11 legal advice because I can't tell you what to do. But,  
12 again, we do...we tell them exactly what she said that the  
13 Board has issued the check. It is out there. If it is not  
14 cashed, it will be escheated. I don't know how else to  
15 address it truthfully because the Board issued an order---

16 DEBBIE DAVIS: Which when the disbursement...I  
17 don't understand, but when the disbursements are agreed upon  
18 are these people not made aware or agreed to that  
19 disbursement?

20 BUTCH LAMBERT: Well, as you can see---

21 DEBBIE DAVIS: No?

22 BUTCH LAMBERT: ---those that you highlighted in  
23 pink that has been returned for an incorrect address. Those  
24 are the ones that I thought that Mrs. Duty was going to try

25

1 to go back and check on.

2 DEBBIE DAVIS: She was. I've not heard anything  
3 back from her. So, that...you know, that's the reason I'm  
4 figuring if I keep putting this out there, you know, we have  
5 five years from the date of issue. So---

6 DONNIE RATLIFF: Yeah. It's got an 010 date on it.  
7 But, I mean, it's up to protect the correlative rights and  
8 we've got an unlocateable. He she comes. Maybe she has got  
9 the answer.

10 SHARON PIGEON: Well, if it escheats to the State  
11 though, the people don't lose the right to come in by  
12 themselves and claim the money. That money is always  
13 available for them to claim.

14 DONNIE RATLIFF: Oh, I thought they spent it.

15 SHARON PIGEON: No, if it escheats, it's not lost.  
16 If the person ever surfaces---

17 DEBBIE DAVIS: It's there.

18 SHARON PIGEON: ---it's their money. All they  
19 have to do is make their presence known and their location.

20 DEBBIE DAVIS: Which we are working on that with the  
21 State of Tennessee. Speaking of---

22 BUTCH LAMBERT: How is that going, by the way?

23 DEBBIE DAVIS: I'm waiting to hear back from the  
24 State of Tennessee to recoup those funds from them that EQT

25

1 nicely sent over.

2           SHARON PIGEON: I still don't quite follow the  
3 bouncing ball on that one. But that's okay. You're  
4 working on it and that's good enough.

5           DEBBIE DAVIS: Yeah. I don't quite grasp that one  
6 either and I'm not going to touch on that other than I am  
7 trying to get those funds back from the State of Tennessee.

8           MARY QUILLEN: I thought this one that the check  
9 that was returned due to divorce decree had been resolved.

10          DIANE DAVIS: I'd have to look on that one.

11          BUTCH LAMBERT: Can you come up, Anita, please and  
12 address a couple of questions that we may have?

13          ANITA DUTY: Okay. I don't like doing this without  
14 Mark, but I guess I will.

15          BUTCH LAMBERT: Well, it's just a question that we  
16 talked about---.

17          DEBBIE DAVIS: It's what we talked about last month  
18 for---.

19          ANITA DUTY: Okay.

20          DEBBIE DAVIS: You was talking about you was going  
21 to see if we could find a correct address on Edna Sue.

22          ANITA DUTY: The ones where we didn't have...an  
23 incorrect address, I have not gone back with...got back with  
24 the land department to see if we have anything. They

25

1 haven't come to me and told me we found them. So, I guess,  
2 I need to go back to them.

3 DEBBIE DAVIS: And then they were questioning this  
4 one on this divorce decree issue.

5 ANITA DUTY: I think the opinion of...I think Mark  
6 and Sharon had talked and they agree that we just need to  
7 leave it the way we had it and let them figure it out. So,  
8 I think we just need to proceed with---.

9 SHARON PIGEON: They didn't address it in  
10 their---.

11 ANITA DUTY: Because they had been married for  
12 so...you know, so long.

13 SHARON PIGEON: And they didn't address it  
14 specifically in their divorce decree---.

15 ANITA DUTY: Right.

16 SHARON PIGEON: ---or their settlement...  
17 property settlement agreement. So, there was nothing  
18 there. I mean, they are divorced, but there's nothing there  
19 about how to divide or not divide the money.

20 ANITA DUTY: So, I think where we were on that one  
21 is just they need to cash a check and figure it out amongst  
22 themselves. I mean, I don't know if there was anything for  
23 us to do there.

24 SHARON PIGEON: They needed to deal with it. It was  
25

1 not something that we could deal with really.

2 DEBBIE DAVIS: But that was...if you will check back  
3 on that incorrect address.

4 ANITA DUTY: Do you have an extra one of these?

5 BUTCH LAMBERT: Sometime within the next four  
6 years, Ms. Duty, could you check on an address for us,  
7 please?

8 ANITA DUTY: I will have this when I come back next  
9 month. I promise.

10 BUTCH LAMBERT: Okay.

11 SHARON PIGEON: I'm going to write that down.

12 ANITA DUTY: Yes, I have those. Yes, I will. I'm  
13 sorry. I wasn't ready.

14 DEBBIE DAVIS: Thank you.

15 BUTCH LAMBERT: Thank you.

16 ANITA DUTY: You're welcome.

17 DEBBIE DAVIS: I also wanted to address with the  
18 Board an error that was made on our part this past year.  
19 When we did our tax reporting for the year of 2010 for anyone  
20 that received a disbursement, those people are to receive  
21 a 1099 miscellaneous form and then that information is also  
22 submitted to the IRS for the informational purpose. We are  
23 required to do that electronically to the IRS. For some  
24 reason, the programing skewed some of the numbers that was

25

1 sent over to the IRS. It has been brought to our attention  
2 and what we have done, we went back through and manually  
3 recreated all of those forms and submitted corrected forms  
4 out to anyone that received a disbursement with a letter of  
5 explanation of what had happened and a corrected file had  
6 been sent to the IRS to correct those issues now. We have  
7 our programmers working on it trying to see what the cliche  
8 was in the software. There was another bank that also uses  
9 the same software that we did that had the same thing happen  
10 to them up in Pennsylvania. So, we know it's something in  
11 the software. So, they are working to make sure that it is  
12 corrected. This time when we did send over the corrected  
13 file, it went over correctly. So, our  
14 technology...so...but I did want to bring it to your all's  
15 attention that that mistake was made and that it has been  
16 corrected. There was a letter of explanation with a  
17 corrected 1099 because...since I submitted a corrected file  
18 to the IRS, I wanted each recipient of the funds last year  
19 to also get a copy of that corrected form. I have been  
20 receiving phone calls from people thinking they have to pay  
21 taxes twice on it and you don't. Just put it with your tax  
22 records. As long as that matches, you know, the form that  
23 you got last year there's nothing that you need to do. Some  
24 of them didn't have to file taxes. I'm like you don't have

25

1 to refile taxes. It's just for your information to show we  
2 had to send over a corrected file to the IRS. So---.

3 BUTCH LAMBERT: Very good. Do you have any idea of  
4 how many that may have involved?

5 DEBBIE DAVIS: It has been a hit or miss.

6 BUTCH LAMBERT: It has been a random kind of thing?

7 DEBBIE DAVIS: It has. That's the reason the  
8 programmers are kind of scratching their heads thinking what  
9 happened. But like I say, we did find another bank that uses  
10 the same software...that the same thing happened with them.  
11 So, the programmers are going back to research. But it  
12 seems like where we have sent over our resubmission of the  
13 corrected files, everything went over properly and  
14 correctly. So, I have no other further explanation. I  
15 apologize.

16 MARY QUILLEN: Could it have been that your software  
17 for some reason when those were sent was not capable with  
18 what the IRS was running? Have they looked into that?

19 DEBBIE DAVIS: No, because we submitted other types  
20 of forms that went over fine. It just seem to affect this  
21 1099 miscellaneous form because all of our tax reporting  
22 does go over electronically to the IRS. So, for whatever  
23 reason and it could have been when...the way the form was  
24 sat up---.

25

1           LEETON HARDING: By the software company.

2           DEBBIE DAVIS: ---by the software company, we  
3 don't know. They normally...they work with the IRS to get  
4 those forms set up in the program properly. So,  
5 somewhere---

6           MARY QUILLEN: Oh. Some...there has been a cliché  
7 somewhere.

8           DEBBIE DAVIS: ---there was something that was  
9 wrong. They're trying to look to see what it was. But I  
10 felt better once I found out that the corrected forms did  
11 go over properly and the numbers were correct. So...but the  
12 software programmers have assured me that, you know, they  
13 are looking into it and it will not happen again.

14           LEETON HARDING: And I think what we would like to  
15 do, Ms. Quillen, is once a reason or a determination is made  
16 by the software company and they report to us we'd like  
17 to...we'll share that information back with the Board. But  
18 like Debbie said, we do a lot of different tax reporting.  
19 1099 miscellaneous is just a part. There's interest  
20 payments, there's distributions and other kinds of things,  
21 IRA distributions and none of those were impacted.

22           DEBBIE DAVIS: It was just this one form. So...but  
23 I did want you to know in case anyone came with you with  
24 questions. Feel free to have them contact me and I

25

1 will...you know, I will try to better explain it to them,  
2 okay.

3 BUTCH LAMBERT: Thank you.

4 DEBBIE DAVIS: And with that, if you have no other  
5 questions on the administration side, I will turn it over  
6 to Karen so she can discuss our investments.

7 KAREN McDONALD: I wanted to give you a status  
8 report as of September the 30th. It is on...after the next  
9 tab, I'm showing invested funds of \$28,262,238.62. Of that  
10 \$24,500,000 is invested in CEDARS. We have it nearly  
11 equally split with \$12,740,000 in six months and \$11,760,000  
12 invested in twelve months. We continue to renew as they  
13 mature. For example...I've created a line to help you  
14 visually see the split in the six month and twelve month  
15 maturities as well as the annual yield for the six month,  
16 which is 50 basis points and 65 basis points for twelve  
17 month. We have had an increase in dollars, which impacts  
18 estimated annual income compared to last month's  
19 presentation. We have about \$1500 more dollars of interest  
20 being earned and because we were...this report does not  
21 reflect October activity, but because we were creating...we  
22 were accumulating cash beyond \$3,000,000 we did in October  
23 invest another \$760,000 in a six month CEDARS partly because  
24 we had a...we did not have that month reflected in our

25

1 maturity ladder and we also had discussed with the Board  
2 maintaining a cash level of about \$3,000,000. So, that will  
3 show up on the next quarter's report. But Mr. Harding has  
4 got the answer---

5 LEETON HARDING: The Board's question.

6 KAREN McDONALD: ---to the Board's question about  
7 future rates on CEDARS. I will let him take the heat for  
8 any comments there.

9 MARY QUILLEN: Oh, I hope it's not bad news.

10 (Laughs.)

11 LEETON HARDING: Well, it depends upon your  
12 prospective, Ms. Quillen. Again, I want to thank the Board  
13 and this opportunity to be here with you. As we shared in  
14 our initial presentation to the Board and in subsequent  
15 meetings, you know, the Trust Department, our Wealth  
16 Management Group's goal is quite simple. It's to manage the  
17 assets and the resources for the Board and the beneficiaries  
18 in a prudent manner and provide you with good information  
19 and to help you achieve a reasonable rate of return based  
20 upon the safety and security and those things. As Karen I  
21 guess will share with you in a few moments, Treasury rates  
22 and those kinds of things still remain very low. The  
23 Virginia LGIP fund, which is a fund, of course, managed by  
24 the State Treasury Virginia provide a liquid environment for

25

1 municipal deposits currently sustain 15 basis points.  
2 That's roughly one-eighth percent. We use the term basis  
3 points in our industry. 1% being 100 basis points.  
4 The...currently in terms of looking at funding position, our  
5 bank currently has around a \$150,000,000 in overnight Fed  
6 funds. That's basically money that will lend to other banks  
7 and then they return it to us the next day. So, basically  
8 a bank savings account at another organization. We're  
9 earning currently 22 basis points on that. So, what we  
10 are...what we are going to offer I guess today to the Board  
11 is first of all we want to leave...we'll leave the rate of  
12 return on the ICS Money Market for the foreseeable future  
13 or at least until let's say the middle of next year at 40  
14 basis points. I would also note again our expression of  
15 appreciation. Last year the Board worked with us in terms,  
16 once we had some changes in the FDIC coverage, to allow us  
17 to use this. I think at that time we indicated to you that  
18 the FDIC limit on that ICS money market account was  
19 \$10,000,000. As we sit here today, it's now \$50,000,000.  
20 So, we basically can reinsure up to \$50,000,000 by this  
21 program. We actually have some current customers that  
22 we're providing coverage up to \$20,000,000 in that account.  
23 That has no impact on the dollar amounts the Board instructs  
24 us to invest. It's simply a matter of information that

25

1 that...both under the CEDARS program is \$50,000,000 of  
2 reciprocal FDIC insurance and separate and distinct under  
3 the ICS program is now up to \$50,000,000. It has become a  
4 very actively used program throughout the United States.  
5 In terms of the six month certificates, you know, beginning  
6 with January the 1st, 2012 we would offer you a rate of 40  
7 basis points. Now, that is the same rate as the money  
8 market. But the difference there is the fact that it would  
9 be a locked in rate as well. We would offer the Board a rate  
10 effective January the 1st of one-half percent in terms of  
11 the one year CDS. Now, I just attended a meeting in  
12 Washington with the Risk Management Association and as a  
13 matter of a fact there was an article even today in the New  
14 York Times that banks throughout the country have excess  
15 funds. If you look at some of the rates that are offered  
16 particularly by large organizations, you will find that many  
17 of them are offering 5 basis points on one year CDs. So,  
18 unfortunately, you know, we're in a very low rate  
19 environment. The demand for money from banks in terms of  
20 loans is not significant at this point in time. So, what  
21 we are trying to do is to balance again what we feel like  
22 is a reasonable rate of return based upon the overall  
23 relationship that we have with the Board. Of course, our  
24 understanding is within our Wealth Management Group. Their

25

1 goal is to maximize the return based upon the safety and  
2 liquidity needs. From our prospective on the bank side, you  
3 know, if Karen...something happens tomorrow and Treasury  
4 rates jump, you know, to 1% and she comes in and says, look,  
5 you know, we're taking it out of the bank. We're going to  
6 say, okay, no problem with that. The loyalty of our Wealth  
7 Management Group is not to the bank, it's to the Board and  
8 to the escrow beneficiaries. During this period of time of  
9 the low rates what we've tried to help is to provide some  
10 sort of reasonable return particularly versus what are  
11 generally available in the market. So, hopefully, Ms.  
12 Quillen, that wasn't too terrible of news.

13 MARY QUILLEN: No. This is as of January the 1st,  
14 right?

15 LEETON HARDING: Yes, ma'am. So, basically,  
16 anything that Karen has here that's renewing---

17 MARY QUILLEN: Uh-huh.

18 LEETON HARDING: ---through the end of the  
19 year...calendar year of 2011, we continue to renew it at  
20 those same rates. So, if the Board were to direct Karen at  
21 some point maybe to put more money in a one year certificate  
22 versus a six month certificate, the 65 basis point rate would  
23 be for twelve months. But that's...I'm not smart enough to  
24 figure that out.

25

1                   KAREN McDONALD: We do have three six month CEDARS  
2 that are maturing November the 3rd, December the 1st and  
3 December the 29th that we could reconsider whether we would  
4 like to have...be instructed by the Board to invest those  
5 in the 65 basis points, which would give us a higher return  
6 for the next twelve months for more moneys so that we don't  
7 see quite as traumatic a shift in January because we won't  
8 have as much renewing and as much subjected to the lower  
9 rate. So, that...that is an alternative for the Board.  
10 Mr. Allen for your...Mr. Compton, I'm sorry, for your  
11 information the Board has determined that FDIC coverage is  
12 a very, very high priority. So, we have...in our investing  
13 the money, we have...the funds we have always worked for  
14 safety, the best return for the fully insured and that has  
15 been the number one priority for the Board. So, I think,  
16 you know, gosh, every since we have been doing this we have  
17 been offering rates that are superior to the general market  
18 place and to the Treasuries with it fully insured. So, we  
19 are having to make a shift but we'd like...but would  
20 seriously maybe recommend to the Board that we look at doing  
21 more twelve month CEDARS with the money that's maturing.

22                   DONNIE RATLIFF: Mr. Chairman---

23                   MARY QUILLEN: Yeah.

24                   DONNIE RATLIFF: ---I'll make that motion.

25

1           MARY QUILLEN: Then I'll second it.

2           BUTCH LAMBERT: I have a motion and a second. Are  
3 there any further discussions?

4           BRUCE PRATHER: This still leaves the \$3,000,000  
5 in---?

6           DEBBIE DAVIS: Yes.

7           BRUCE PRATHER: ---cash in the account?

8           DONNIE RATLIFF: Yes.

9           KAREN McDONALD: Yes. Yes.

10          MARY QUILLEN: That money market won't change?

11          LEETON HARDING: No. We the 40 basis points will  
12 remain the same, yes, ma'am.

13          MARY QUILLEN: Right. And after January...just to  
14 make sure I understood you, after January the 1st---?

15          LEETON HARDING: Effective January the 1st of 2012,  
16 the rate that we would extends...the offer that we would  
17 extend in terms of certificates of deposit, not the money  
18 market account,---.

19          MARY QUILLEN: Not the money...okay, that's---.

20          LEETON HARDING: ---would be...we would offer 40  
21 basis points of four-tenths of 1% on six month  
22 certificates---.

23          MARY QUILLEN: Right.

24          LEETON HARDING: ---and one-half percent, which

25

1 is 50 basis points on one year.

2 MARY QUILLEN: One year, right. Right.

3 LEETON HARDING: Yes, ma'am.

4 DEBBIE DAVIS: And that's on CDs that are...the  
5 renewals. What's here---

6 LEETON HARDING: Yes.

7 MARY QUILLEN: Right.

8 DEBBIE DAVIS: ---stays in place---

9 LEETON HARDING: The rates, we can't...we won't  
10 change. The rates stay the same until a maturity date, yes,  
11 ma'am.

12 MARY QUILLEN: It's just the maturity and investing  
13 in the new ones. Right. I gotcha. I gotcha.

14 LEETON HARDING: That is correct. Yes, ma'am.

15 DEBBIE DAVIS: Yes.

16 MARY QUILLEN: At right now, we can go ahead and do  
17 those three that---

18 DEBBIE DAVIS: As the mature before the end of the  
19 year.

20 MARY QUILLEN: Right. Yeah.

21 KAREN McDONALD: Which is almost \$3,000,000---

22 MARY QUILLEN: Right. Yeah.

23 KAREN McDONALD: ---investing in twelve months.

24 LEETON HARDING: And just, again, Mr. Compton, for  
25

1 your benefit, we spent some time with the Board when we made  
2 our original presentation not only about the operation's  
3 side but also the investment side at subsequent meetings  
4 about how these reciprocal programs work and if you should  
5 wish to receive some additional information on that, we  
6 would be very happy to provide that to you.

7 DONNIE RATLIFF: It's more than \$3,000,000, isn't  
8 it?

9 DEBBIE DAVIS: It's about \$5,000,000.

10 KAREN McDONALD: Oh, sorry.

11 DONNIE RATLIFF: Yeah, it's about \$5,000,000.

12 KAREN McDONALD: The laryngitis is affecting my  
13 brain.

14 SHARON PIGEON: You told us at the beginning of your  
15 presentation about this CD that had matured on 10/6.

16 KAREN McDONALD: Yes.

17 SHARON PIGEON: What did you tell us about it?

18 KAREN McDONALD: Yes. That has been reinvested in  
19 a one year.

20 LEETON HARDING: One year.

21 SHARON PIGEON: Okay.

22 SHARON PIGEON: And that is at 65 basis---?

23 LEETON HARDING: The 65 basis points. Yes, ma'am.

24 KAREN McDONALD: Yes. Yes.

25

1           DEBBIE DAVIS: And then we've also done an  
2 additional \$760,000 in a six month to bring the money market  
3 down.

4           LEETON HARDING: Of course, you know, if the  
5 borrowing needs of First Bank & Trust and our customers  
6 increase, you know, if we can loan out more money we can  
7 continue to offer the Board higher rates. So, we would  
8 encourage anyone to encourage their friends and neighbors  
9 to borrow money.

10           (Laughs.)

11           MARY QUILLEN: We have money to loan.

12           LEETON HARDING: Yes, ma'am, we do. Most  
13 organizations do at this point as well.

14           BUTCH LAMBERT: Any further discussion?

15           (No audible response.)

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

17           (All members signify by saying yes.)

18           BUTCH LAMBERT: Opposed, no.

19           (No audible response.)

20           BUTCH LAMBERT: Thank you. Ms. McDonald, you are  
21 instructed to do that.

22           KAREN McDONALD: And the final information piece is  
23 the last page with regard to the daily Treasury bill rates,  
24 the last time that I presented was about five weeks ago. The

25

1 two year Treasury was earning 17 basis points compared to  
2 today's Treasury is earning 27 basis points. The thirty  
3 year Treasury was earning 333 basis points and is now earning  
4 320 basis points. What you're seeing in the shift from the  
5 short to the long is operation twist with the Federal Reserve  
6 where they are as short...their shorter investments mature  
7 they are investing in long term rates and that...in long term  
8 investments. That is why you are hearing that housing  
9 mortgage rates are at just significant lows compared  
10 historically. So, this...we're seeing the impact of that.  
11 But just to put into prospective what we are offering to you,  
12 which we always like to do is on the October the 19th  
13 fifty-two weeks was earning 11 basis points and your money  
14 market is earning 40 basis points and, of course, the CDs  
15 is much higher...you know, higher than that. So, we are  
16 still...as far as safety goes, Mr. Compton, we always look  
17 at the Treasuries for the ultimate safety, but the CEDARS  
18 program offers so much more. With a ladder of maturities  
19 it gives us liquidity as we need it if disbursements should  
20 increase.

21 MARY QUILLEN: And these are just too fluid now. I  
22 mean, they're just up and down and all over the Board and  
23 it is too risky I feel like personally.

24 KAREN McDONALD: Well---.

25

1           MARY QUILLEN: I wouldn't put my money in it.

2           KAREN McDONALD: It is an extremely volatile time  
3 in the market, Dr. Quillen. There's no doubt about that.

4           MARY QUILLEN: Thank you.

5           KAREN McDONALD: So, we feel like we have offered  
6 you stability and security with a reasonable return and, of  
7 course, our fees are still very reasonable. We have not  
8 changed our fees in any way, shape or form.

9           MARY QUILLEN: Good. Thank you.

10          BRUCE PRATHER: Thank you very much.

11          BUTCH LAMBERT: Any other questions or discussions  
12 from the Board?

13                   (No audible response.)

14          BUTCH LAMBERT: Thank you, folks. As always, we  
15 certainly appreciate your time.

16          LEETON HARDING: Mr. Chairman, we thank you. I'd  
17 like to, again, express my appreciation for your compliments  
18 to our staff for the work that they're doing. They believe  
19 very much in what they're trying to do for the Board and for  
20 the recipients and beneficiaries. These are folks that are  
21 friends and neighbors of theirs in these communities and we  
22 want to do the best job that we can for you. So---.

23          BUTCH LAMBERT: Thank you all.

24          DONNIE RATLIFF: Thank you very much.

25

1                   DEBBIE DAVIS: Thank you.

2                   DONNIE RATLIFF: Nice job.

3                   MARY QUILLEN: Thank you.

4                   BUTCH LAMBERT: Okay. The next item on the docket  
5 is a petition from EQT Production Company on behalf of Timmy  
6 Sutherland and Patricia Sutherland, Corbet Anderson and  
7 Phyllis Anderson, Harry Anderson and Sharon Anderson,  
8 Robert Kuchan and Patricia Kuchan and Range Resources-Pine  
9 Mountain, Inc. for disbursement of funds from escrow and  
10 authorization of direct payment from unit VC-537100. All  
11 parties wishing to testify, please come forward.

12                   JIM KAISER: Mr. Chairman and Board members, Jim  
13 Kaiser and Spence Hale on behalf of EQT Production Company.  
14 We've got a set of revised exhibits that he's going to pass  
15 out.

16                   (Revised exhibits are passed out.)

17                   DONNIE RATLIFF: Mr. Chairman, while we're in  
18 Laurel here, I apologize. I try to be pretty efficient when  
19 I can't be here to let you know. But I had a phone call at  
20 5:00 a.m. that I was having a grandbaby and I went to Bristol  
21 and was all excited. The Gas and Oil Board never entered  
22 my mind.

23                   BUTCH LAMBERT: I think we understand that.

24                   DONNIE RATLIFF: I apologize for...I always try to

25

1 let you know in advance when I can't be here. But that one  
2 slipped up on us.

3 JIM KAISER: That's a pretty good excuse.

4 MARY QUILLEN: Congratulations.

5 DONNIE RATLIFF: Thank you. Everybody is healthy.

6 (Inaudible). He actually came two weeks early and he  
7 weighed eight pounds and nine ounces.

8 MARY QUILLEN: Oh, wow. The name?

9 DONNIE RATLIFF: Cole. Imagine that.

10 MARY QUILLEN: Cole.

11 DONNIE RATLIFF: Papaw had a little bit to do with  
12 that. They wouldn't spell it C-O-A-L though. It's  
13 C-O-L-E.

14 (Spence Hale is duly sworn.)

15 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

16

17 SPENCE HALE

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

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. KAISER:

22 Q. Mr. Hale, if you'd state your name, who  
23 you're employed by and in what capacity.

24 A. Spence Hale, EQT Production Company and as  
25

1 a landman.

2 Q. And you're familiar with the application  
3 that we filed on behalf of the royalty owners in Tract 2 of  
4 this unit and Range Resources for disbursement from escrow?

5 A. I am.

6 Q. Has everybody been notified as required by  
7 statute?

8 A. Yes.

9 Q. Now, you've...we have a set of revised  
10 exhibits that we've passed out for this hearing. Could you  
11 go through those for the Board?

12 A. Okay. We have the revised Exhibit B. We  
13 had some address changes and updates. Revised Exhibit EE  
14 for the same reason. Then a disbursement total sheet that  
15 outlines the interest of the parties and the  
16 disbursement...percentage of disbursed funds that was also  
17 updated.

18 Q. Okay. This involves Tract 2 within this  
19 unit?

20 A. It does.

21 Q. And there's four different royalty owners  
22 Harry and Sharon Anderson, Corbet Glen and Phyllis Anderson,  
23 Robert and Patricia Kuchan and Timmy Mack and Patricia  
24 Sutherland?

25

1 A. That's correct.

2 Q. And would it be your testimony that  
3 if...direct the Board to spreadsheets that you provided in  
4 the next to the last column percentage of escrowed funds  
5 would that be the percentage that each of those individual  
6 royalty owners would be entitled to of the escrowed funds  
7 and on an ongoing forward basis?

8 A. That is correct.

9 Q. And would you ask that the order to the  
10 Board, should the Board issue one to disburse this money,  
11 include that going forward the money be disbursed directly  
12 to the applicants?

13 A. Yes.

14 Q. And will this close out the escrow for this  
15 unit?

16 A. It will.

17 JIM KAISER: Nothing further at this time, Mr.  
18 Chairman.

19 BUTCH LAMBERT: Any questions from the Board?

20 SHARON PIGEON: Close out the escrow---?

21 BUTCH LAMBERT: Mr. Kaiser---.

22 SHARON PIGEON: ---for the whole unit, is that  
23 what you said?

24 JIM KAISER: Yeah, this is the only tract that  
25

1 wasn't escrowed.

2 BUTCH LAMBERT: Mr. Kaiser or Mr. Taylor, in your  
3 petition, you have item number E. It says, "To resolve this  
4 conflict, a letter dated October the 28th, 2010 signed by  
5 Jerry Grantham, Vice President of Pine Mountain-Oil and Gas  
6 is attached in Exhibit A." Would you happen to have a copy  
7 of that? We don't have that in our file.

8 JIM KAISER: Yeah, we'll get...I've got it in mine.  
9 I don't know why you don't have it. I've got one for each  
10 of them...for each of the four respondents. I'll just give  
11 you mine.

12 BUTCH LAMBERT: If you could just pass that up to  
13 Ms. Davis.

14 (Jim Kaiser passes the exhibit to Ms. Davis.)

15 BUTCH LAMBERT: Any other questions from the  
16 Board?

17 (No audible response.)

18 BUTCH LAMBERT: Anything further, Mr. Kaiser?

19 JIM KAISER: We'd ask that the application of  
20 disbursement be approved as submitted.

21 BUTCH LAMBERT: Do I have a motion?

22 DONNIE RATLIFF: Motion to approve, Mr. Chairman.

23 MARY QUILLEN: Second.

24 BUTCH LAMBERT: I have a motion and a second. Any  
25

1 further discussion?

2 (No audible response.)

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

4 (All members signify by saying yes.)

5 BUTCH LAMBERT: Opposed, no.

6 (No audible response.)

7 BUTCH LAMBERT: Thank you, Mr. Kaiser. It's  
8 approve.

9 JIM KAISER: Thank you.

10 BUTCH LAMBERT: Ladies and gentlemen, if you'll  
11 notice at each of your tables when you came this morning,  
12 there was a letter from Mark Swartz stating that since we  
13 had to move the date of the hearing, he had a conflict. In  
14 his request, he has asked that all CNX docket items be  
15 continued until November. So, at this time, we'll need to  
16 read those into the record. Docket item number four is a  
17 petition from CNX Gas Company for disbursement of funds from  
18 escrow. This is docket item VGOB-03-1021-1205-01. It  
19 will be continued until November. Docket item number five  
20 is the Board on its own motion will receive corrective  
21 testimony from CNX Gas Company, LLC on a petition approved  
22 for disbursement in May of 2011, docket number  
23 VGOB-02-0917-1072-01 will be continued until November.  
24 Docket item number six, a petition from CNX Gas Company, LLC

25

1 for disbursement of funds from escrow for unit U-27, docket  
2 number VGOB-97-0218-0563-03 will be continued until  
3 November. Docket item number seven, a petition from CNX Gas  
4 Company, LLC for disbursement of funds from escrow for unit  
5 U-28, docket number VGOB-97-0218-0564-02 will be continued  
6 until November. Docket number eight, a petition from CNX  
7 Gas Company, LLC for disbursement of funds from escrow for  
8 unit T-28, docket number VGOB-97-0218-0565-02 will be  
9 continued until November. Docket item number nine, the  
10 Board on its motion will receive corrective testimony from  
11 CNX Gas Company, LLC on a petition approved for disbursement  
12 in August of 2011, docket number VGOB-02-0513-1149-02 will  
13 be continued until November. Docket number sixteen, a  
14 petition from CNX Gas Company, LLC for disbursement of funds  
15 from Tract 2H, 3A, 3B, and 3C for unit T-36, docket number  
16 VGOB-98-0324-0625 will be continued until November.  
17 Docket item seventeen, a petition from CNX Gas Company, LLC  
18 for disbursement of funds from Tracts 1A and 1D for unit  
19 T-37, docket number VGOB-98-0421-0650-06 will be continued  
20 November. Docket number...item number eighteen, a  
21 petition from CNX Gas Company, LLC for disbursement of funds  
22 from Tract 2A for unit Z-12, docket number  
23 VGOB-91-0521-0126-01 will be continued until November.  
24 Docket item number nineteen, a petition from CNX Gas

25

1 Company, LLC for disbursement of funds and authorization for  
2 direct payments of royalties for a portion of Tract 3 for  
3 unit AY-98, docket number VGOB-05-1213-1542-02 will be  
4 continued until November. Docket item number twenty, a  
5 petition from CNX Gas Company, LLC for disbursement of funds  
6 and authorization for direct payment of royalties for a  
7 portion of Tract 1A for unit AZ-100, docket number  
8 VGOB-03-0415-1139-02 will be continued until November.  
9 Docket twenty-one, a petition from CNX Gas Company, LLC for  
10 disbursement of funds and authorization for direct payment  
11 of royalties from Tracts 1A, 1B, 1C, 1D, 1F and 1H for unit  
12 AZ-103, docket number VGOB-06-0516-1631-02 will be  
13 continued until November. Docket number twenty-two, a  
14 petition from CNX Gas Company, LLC for disbursement of funds  
15 and authorization for direct payment of royalties from  
16 Tracts 1, 3C and 3D for unit BC-121, docket number  
17 VGOB-03-0218-1116-01 continued until November. A  
18 petition...docket item twenty-three is a petition from CNX  
19 Gas Company, LLC for disbursement of funds and authorization  
20 for direct payment of royalties from Tract 2B for unit EE-36,  
21 docket number VGOB-02-1015-1083-01 will be continued until  
22 November. Docket number twenty-five, a petition from CNX  
23 Gas Company, LLC for repooling of coalbed methane unit  
24 AV-110, docket number VGOB-01-0320-0870-03 will be

25

1 continued until November. A petition from CNX Gas Company,  
2 LLC for pooling of coalbed methane unit B-52, docket number  
3 VGOB-11-0920-2987 will be continued until November.  
4 That's docket item twenty-six. Docket item twenty-seven,  
5 a petition from CNX Gas Company, LLC for pooling of coalbed  
6 methane unit YYY-33, docket number VGOB-11-0920-2988 will  
7 be continued until November. Docket item twenty-eight, a  
8 petition from CNX Gas Company, LLC for repooling of coalbed  
9 methane unit AX-118, docket number VGOB-03-0715-1160-01  
10 will be continued until November. Docket item thirty-six,  
11 a petition from CNX Gas Company, LLC for creation of a 320  
12 acre horizontal conventional drilling unit and pooling for  
13 00029SH, docket number VGOB-11-1018-2995 will be continued  
14 until November. Docket thirty-seven, a petition from CNX  
15 Gas Company, LLC for creation of a 320 acre horizontal  
16 conventional drilling unit and pooling for VVV29SH, docket  
17 number VGOB-11-1018-2996 will be continued until November.  
18 Docket number thirty-eight, a petition form CNX Gas Company,  
19 LLC for pooling of...for repooling of unit BD-120, docket  
20 number VGOB-05-0215-1398-01 will be continued until  
21 November. Docket item number thirty-eight, a petition from  
22 CNX Gas Company, LLC for repooling of unit BC-120, docket  
23 number VGOB-03-0218-1115-01 will be continued until  
24 November. Docket item number forty, a petition from CNX Gas

1 Company, LLC for a modification of order for production from  
2 a vertical wellbore 11OSH, docket number  
3 VGOB-11-0719-2972-01 will be continued until November.  
4 That's it. At this time, we're going to take about a ten  
5 minute break.

6 (Break.)

7 BUTCH LAMBERT: Okay, ladies and gentlemen, it's  
8 time for us to resume these proceedings. The next item on  
9 the docket is item number ten, a petition from EQT Production  
10 Company, LLC for disbursement of funds from escrow for  
11 Clarence W. Truax, docket number VGOB-93-0420-0366-01.  
12 All parties wishing to testify, please come forward.

13 JIM KAISER: Mr. Chairman, Jim Kaiser and Spence  
14 Hale again. On this particular application, we had some  
15 revised exhibits that we were going to pass to show primarily  
16 the correct name for EQT Production and also the correct  
17 address for Truax, the gentlemen that we're...the folks that  
18 we're disbursing to. As we went over these this morning,  
19 we noticed that there's some typos in the exhibits that you  
20 got with your...with the application. In particular the  
21 last page of Exhibit B where it says "Coal Estate Only", for  
22 some reason it reads Clinchfield Coal Company when it should  
23 be Range Resources-Pine Mountain. So, we'd ask permission  
24 to change that and get that to you hopefully as early as

25

1 tomorrow. Normally, you know, when we've made some typos  
2 like this we would continue it, but in this particular case,  
3 this gentlemen has \$21,000 in this unit. I'd like to go  
4 ahead and move forward since these are basically...these  
5 aren't substantive issues. Then on Exhibit E, for some  
6 reason, the content of it is right, but the heading of it  
7 says "VC-501842", which is a well I think we've got on next  
8 month. So, it should say VC-702844 to reflect this unit.  
9 So, we'd ask permission to go forward with this hearing  
10 because it does involve quite a large amount of money for  
11 Mr. and Mrs. Truax and just submit those to correct  
12 exhibits... well all corrected exhibits to you...you can do  
13 it by tomorrow, can't you?

14 SPENCE HALE: Absolutely. Would that be all right?

15 BUTCH LAMBERT: Okay. We'll proceed to hear this  
16 petition with the understanding that those corrected  
17 petitions that was just covered by Mr. Kaiser will be  
18 submitted to the DGO office tomorrow.

19 SHARON PIGEON: Mr. Kaiser, since you're addressing  
20 your exhibits, on your reconciliation sheet, I might not be  
21 seeing it but I don't see where this is through a date  
22 certain.

23 JIM KAISER: The date to that is as of...I might be  
24 able to come up with an answer for you. Hang on.

25

1           SHARON PIGEON: I hope so.

2           (Spence Hale and Jim Kaiser confer.)

3           JIM KAISER: Ms. Pigeon, we...we believe it is  
4 through August the 31st of this year.

5           SHARON PIGEON: That is kind of important  
6 information for us to have on a reconciliation.

7           SPENCE HALE: We'll disburse the acreage and the  
8 percentage anyway.

9           JIM KAISER: Yeah. I guess as a check. But, I  
10 mean, we do disburse on the percentage and the acreage. So,  
11 that's just sort of a (inaudible).

12           SHARON PIGEON: Do you think it was August 31? Is  
13 that what you said?

14           JIM KAISER: Ma'am?

15           SHARON PIGEON: Did you say that you think this was  
16 done through August 31?

17           JIM KAISER: Yes, ma'am.

18           SHARON PIGEON: I'm going to write that on there  
19 based on---.

20           JIM KAISER: And we'll verify that for you along  
21 with the corrected exhibits.

22           SHARON PIGEON: Thank you.

23           JIM KAISER: Maybe that's a good time to bring this  
24 up. I don't know, why do we give you that?

25

1           SHARON PIGEON: Well, it's just an additional  
2 check. The date, you mean?

3           JIM KAISER: Sort of balance...no, the figure. I  
4 mean, it's based on the percentage and the acreage in the  
5 escrow.

6           SHARON PIGEON: It's for the benefit of the people  
7 receiving a disbursement. They want to have an ideal  
8 generally speaking---

9           JIM KAISER: Okay.

10          SHARON PIGEON: ---of what kind of money they're  
11 looking at. I would if I were receiving a check from you.

12          JIM KAISER: So, it's more of a...sort of an  
13 informative information thing?

14          SHARON PIGEON: Yes. Yes. Is it going to be \$2 or  
15 \$2,000,000, you know.

16          JIM KAISER: Right.

17          SHARON PIGEON: I'd like for it to be \$2,000,000.

18          DIANE DAVIS: It's as of the end of July.

19          JIM KAISER: Okay. So, it's actually July the  
20 31st.

21          SHARON PIGEON: Okay. You---

22          BUTCH LAMBERT: July the 31st?

23          JIM KAISER: Yes, sir.

24          BUTCH LAMBERT: Mr. Lovett.

25

1           JIM LOVETT: Yeah. If I may add something to that  
2 too, Ms. Pigeon, to clarify that, until they begin sitting  
3 things up in the template and the spreadsheet that they're  
4 using right now, we would run almost an independent audit  
5 to double check their figures because if those would come  
6 in three or four different tables. So, we would do an  
7 independent calculation based upon all of the percentages  
8 to confirm their information and run another calculation  
9 based upon that balance that was in the escrow account to  
10 see if we've come up with the same numbers. Most of the  
11 time, those would end up working out. Occasionally, it  
12 would not. We bounce it back to them to do a correction.  
13 So, that's what that number is really for. But you are  
14 correct it's based upon the percentage of their acreage of  
15 ownership within the escrow account as far as what the final  
16 payout is. But it was kind of an internal audit and an  
17 internal check that we would use within the DGO.

18           BUTCH LAMBERT: Thank you.

19           JIM KAISER: And we'll continue to provide it.

20           BUTCH LAMBERT: Okay. Okay, Mr. Kaiser, you may  
21 proceed.

22

23   SPENCE HALE

24 having been duly sworn, was examined and testified as

25

1 follows:

2 DIRECT EXAMINATION

3 QUESTIONS BY MR. KAISER:

4 Q. All right, Mr. Hale, are you  
5 responsible...have you ever seen the preparation of this  
6 application for disbursement?

7 A. I have.

8 Q. You might want to say no after looking at  
9 these exhibits.

10 (Laughs.)

11 Q. Okay. We've talked about how we're going  
12 to get those corrected exhibits to them as early as tomorrow,  
13 correct?

14 A. That's correct.

15 Q. And this involves Tract 4 in this unit?

16 A. That's right.

17 Q. And all parties have been notified?

18 A. They have.

19 Q. And if you direct the Board to the  
20 spreadsheet, if you go to the next to the last column on the  
21 right, the percentage of escrowed funds would be the Tract  
22 4 and the Clarence and Deborah Truax, however you pronounce  
23 that, percentage would be 13.2762 in this particular unit?

24 A. That's correct.

25

1 Q. And would you ask that the Board issue an  
2 order to disburse that?

3 A. I would.

4 Q. Does our application contain a letter from  
5 Range Resources agreeing to this?

6 A. Yes.

7 Q. And would you ask if the Board approves the  
8 application that any royalties attributable to these owners  
9 in Tract 4 going forward be paid directly to them?

10 A. Yes.

11 Q. And this does close out the escrow for Tract  
12 4 but not for the unit, is that correct?

13 A. Yes.

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

16 BUTCH LAMBERT: Anything from the Board...any  
17 questions from the Board?

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

19 BUTCH LAMBERT: Mrs. Dye.

20 KATIE DYE: In looking at this letter from Range  
21 Resources, they mention like three difference VC  
22 coalbed----.

23 JIM KAISER: Right.

24 KATIE DYE: ---wells.

25

1           JIM KAISER: They're coming right behind this one.

2           KATIE DYE: But what about the one on the plat.

3 This is VC-2844.

4           JIM KAISER: I'm not following you.

5           SPENCE HALE: 702844.

6           JIM KAISER: That's this well. This is 702844.

7           KATIE DYE: Okay. So...but it's not mentioned in  
8 the letter, I guess, is what I'm not understanding.

9           JIM KAISER: Sure it is. It's the first on.  
10 VC-702844, VC-503308 and VC-535612.

11           KATIE DYE: Okay. I was confused by the 70. Thank  
12 you.

13           JIM KAISER: That's okay.

14           BUTCH LAMBERT: Any other questions?

15           (No audible response.)

16           BUTCH LAMBERT: Anything further?

17           JIM KAISER: We'd ask that the application be  
18 approved as submitted with all of the corrected exhibits to  
19 be to the DGO by tomorrow.

20           BUTCH LAMBERT: Do I have a motion?

21           MARY QUILLEN: Motion to approve with the corrected  
22 paperwork to be sent to the gas and oil office.

23           BUTCH LAMBERT: Do I have a second.

24           KATIE DYE: Second.

25

1           BRUCE PRATHER: Second.

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

4           (No audible response.)

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

6           (All members signify by saying yes.)

7           BUTCH LAMBERT: Opposed, no.

8           (No audible response.)

9           BUTCH LAMBERT: Thank you, Mr. Kaiser. It's  
10 approved. We're calling docket item number eleven, a  
11 petition from EQT Production Company, LLC for disbursement  
12 of funds from escrow for Clarence W. Truax, docket number  
13 VGOB-04-0420-1283-01. All parties wishing to testify,  
14 please come forward.

15           JIM KAISER: Mr. Chairman, Jim Kaiser and Spence  
16 Hale for EQT Production. He has got some revised exhibits  
17 to pass out.

18           (Revised exhibits are passed out.)

19           BUTCH LAMBERT: You may proceed, Mr. Kaiser.

20           (Jim Kaiser and Spence Hale confer.)

21

22   SPENCE HALE

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

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DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hale, have you reviewed the application for disbursement in this case?

A. I have.

Q. Have all parties been notified as required by statute?

A. They have.

Q. And here we're dealing with Tract 3 in this unit?

A. Yes.

Q. And, again, the same folks, the Truaxs---

A. Yes.

Q. ---and Range Resources?

A. Yes.

Q. And if we direct the Board to the spreadsheet that was prepared for this disbursement you go to the next to the last column to the right, Tract 3 and the percentage of escrowed funds to...within the unit to disbursed to the Truaxs would be 41.057511%?

A. That's correct.

Q. And your figures are through July the 31st again?

1 A. Correct.

2 Q. And going forward, would you ask that the  
3 Board disburse any royalty directly to these parties?

4 A. Yes.

5 Q. And this does not close out the escrow  
6 account for this unit, correct?

7 A. Correct.

8 JIM KAISER: Nothing further at this time, Mr.  
9 Chairman.

10 BUTCH LAMBERT: Any questions from the Board?

11 (No audible response.)

12 BUTCH LAMBERT: Mr. Kaiser, I don't have a plat in  
13 mine. I don't know if the other Board members do.

14 JIM KAISER: I've got one.

15 BUTCH LAMBERT: As long as you have one.

16 DIANE DAVIS: I'll make you a copy.

17 BUTCH LAMBERT: Okay.

18 SHARON PIGEON: I would like a copy.

19 DIANE DAVIS: Yes, ma'am.

20 BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

23 BUTCH LAMBERT: Do I have---?

24 DONNIE RATLIFF: Motion to approve.

25

1                    BRUCE PRATHER: Second.

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

4                    (No audible response.)

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

6                    (All members signify by saying yes.)

7                    BUTCH LAMBERT: Opposed, no.

8                    (No audible response.)

9                    BUTCH LAMBERT: Thank you, Mr. Kaiser. It's  
10 approved. The next item on the docket is number twelve, a  
11 petition from EQT Production Company, LLC for disbursement  
12 of funds from escrow for Clarence Truax Tract 1 unit 535612,  
13 docket number VGOB-03-0819-1174-01. All parties wishing  
14 to testify, please come forward.

15                    JIM KAISER: Mr. Chairman, Jim Kaiser and Spence  
16 Hale on behalf of EQT Production.

17                    BUTCH LAMBERT: You may proceed, Mr. Kaiser.

18

19    SPENCE HALE

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

22    DIRECT EXAMINATION

23 QUESTIONS BY MR. KAISER:

24                    Q.            Again, Mr. Hale, are you familiar with this

25

1 application that we filed for disbursement?

2 A. Yes.

3 Q. And all parties were notified as required  
4 by statute?

5 A. Correct.

6 Q. And this involves Tract 1 in this unit, is  
7 that correct?

8 A. That's right.

9 Q. And, again, it involves Clarence and  
10 Deborah Truax?

11 A. That's correct.

12 Q. And if you direct the Board to the  
13 spreadsheet that we filed and provide it along with the  
14 application to the next to the last column to the right, the  
15 percentage of escrowed funds, would that percentage  
16 attributable to them in Tract 1 within the unit is  
17 81.016393%, is that correct?

18 A. That's correct.

19 Q. Would you ask that the order also include  
20 that any royalty attributable to Tract 1 be disbursed  
21 directly going forward?

22 A. Yes.

23 Q. And this will not close out the unit for  
24 this...or the escrow for this unit either, correct?

25

1           A.       No, it will not.

2           JIM KAISER: Nothing further at this time, Mr.

3 Chairman. And I've got a plat.

4           SHARON PIGEON: Will this close out Tract 1?

5           JIM KAISER: Yes, ma'am.

6           SPENCE HALE: Yes.

7           MARY QUILLEN: Was this accounting also as of July

8 the 31st?

9           SPENCE HALE: I'm sorry? Yes.

10          DONNIE RATLIFF: Mr. Chairman.

11          BUTCH LAMBERT: Mr. Ratliff.

12          DONNIE RATLIFF: There's a note that the amount with

13 First Bank, the payment spreadsheet, and it's different from

14 the total. Do you see that?

15          SPENCE HALE: Different from the total disbursed?

16          DONNIE RATLIFF: Yeah. Do you see the small block

17 right above the---?

18          SPENCE HALE: Yeah, the 141817.

19          DONNIE RATLIFF: Yes.

20          SPENCE HALE: That's the total in escrow. Then the

21 portion down here is Mr. Truax's portion of that.

22          SHARON PIGEON: Just for Tract 1?

23          SPENCE HALE: That's right.

24          SHARON PIGEON: The other is still in the escrow and

25

1 it still needs to be---?

2 SPENCE HALE: Correct.

3 MARY QUILLEN: Oh, that's for the total.

4 SPENCE HALE: That's the total of all of the tracts  
5 being escrowed.

6 MARY QUILLEN: Okay.

7 SPENCE HALE: And then the bottom portion is Mr.  
8 Truax's portion of that based on his interest in the unit.

9 DONNIE RATLIFF: Okay. Okay.

10 BUTCH LAMBERT: Any other questions?

11 (No audible response.)

12 BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

15 BUTCH LAMBERT: Do I have a motion?

16 MARY QUILLEN: Motion to approve.

17 BRUCE PRATHER: Second.

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

20 (No audible response.)

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

22 (All members signify by saying yes.)

23 BUTCH LAMBERT: Opposed, no.

24 (No audible response.)

25



1 involves Tracts 2 and 3 in this unit, correct?

2 A. That's correct.

3 Q. And did we provide the Board with a  
4 spreadsheet analyzing the percentages of ownership and the  
5 percentages of funds in escrow?

6 A. We did.

7 Q. And, again, if you direct the Board to the  
8 last page of that spreadsheet and the column next to the last  
9 on the right, do those percentages of escrowed funds  
10 accurately reflect the situation on these two tracts?

11 A. It does.

12 Q. Okay. And this again...this would be a  
13 figure through July the 31st?

14 A. That's correct.

15 Q. And would you ask that going forward that  
16 these funds...should this application of disbursement be  
17 approved, that any royalty going forward be paid directly  
18 to these parties?

19 A. Yes.

20 Q. And this does not close out escrow for  
21 either tract...either of these tracts or the unit, is that  
22 correct?

23 A. That is correct.

24 JIM KAISER: Nothing further of this witness at this

25

1 time, Mr. Chairman.

2 BUTCH LAMBERT: Any questions from the Board?

3 SHARON PIGEON: Was this a split agreement?

4 JIM KAISER: Yes.

5 SPENCE HALE: A 100%.

6 DIANE DAVIS: We need a plat.

7 RICK COOPER: The plat...we need a plat.

8 SHARON PIGEON: We need a plat.

9 JIM KAISER: I'll get you plat.

10 BUTCH LAMBERT: Mr. Kaiser, would it be possible to  
11 get the letter like we had in number ten for this one as well?

12 JIM KAISER: Uh-huh.

13 SPENCE HALE: You've got the letter, don't you?

14 JIM KAISER: Yeah, I've got the letter and I've got  
15 the plat and some mineral interest. Just take a couple of  
16 them. We've got another one coming up. It has got all the  
17 wells on one. I was (inaudible).

18 MARY QUILLEN: Do you also have a plat for this one?

19 JIM KAISER: Yeah.

20 SPENCE HALE: Yeah.

21 JIM KAISER: Let's see, this is---

22 MARY QUILLEN: Is this also an accounting as of July  
23 the 31st?

24 SPENCE HALE: Yes.

25

1           JIM KAISER: There's plats and letters for both of  
2 them for this one and the next one. It's the same parties  
3 as the next time too.

4           BUTCH LAMBERT: Diane.

5           DIANE DAVIS: Sir?

6           BUTCH LAMBERT: Would you provide a copy of that  
7 letter to Sharon?

8           DIANE DAVIS: Yes, I will.

9           BUTCH LAMBERT: Okay.

10          DIANE DAVIS: I laid you the earlier on down there.  
11 Did you find it?

12          SHARON PIGEON: I got that one.

13          BUTCH LAMBERT: Is there anything further, Mr.  
14 Kaiser?

15          JIM KAISER: Yeah, the letters and plats are coming  
16 around for this one and the next one. So, with that  
17 submission, I would ask that this application be approved  
18 as submitted.

19          BUTCH LAMBERT: Do I have a motion for docket item  
20 number thirteen?

21          DONNIE RATLIFF: Motion to approve, Mr. Chairman.

22          MARY QUILLEN: Second.

23          BRUCE PRATHER: Second.

24          BUTCH LAMBERT: Motion and a second. Any further  
25

1 discussion?

2 (No audible response.)

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

4 (All members signify by saying yes.)

5 BUTCH LAMBERT: Opposed, no.

6 (No audible response.)

7 BUTCH LAMBERT: Thank you, Mr. Kaiser. That's  
8 approved.

9 JIM KAISER: Thank you.

10 BUTCH LAMBERT: We're calling docket item fourteen,  
11 a petition from EQT Production Company, LLC for disbursement  
12 of funds from escrow for Halbert E. and Peggy Ashworth,  
13 Graham K. and Betty Tiller, Don W. and Cynthia Ashworth,  
14 Charlton Tiller and Range Resources-Pine Mountain, Inc.  
15 Tracts 1 and 2, unit 537108, docket number  
16 VGOB-09-0421-2515-10. All parties wishing to testify,  
17 please come forward.

18 JIM KAISER: Mr. Chairman, Jim Kaiser and Spence  
19 Hale for EQT Production.

20 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

21

22 SPENCE HALE

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

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DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Again, Mr. Hale, are you familiar with the application that we filed seeking a disbursement here?

A. I am.

Q. And it is as to Tracts 1 and 2 in this unit also?

A. That's correct.

Q. And it's the same parties as the last one and...is that correct?

A. Yes.

Q. And, again, we have provided the Board the permit release...the release from Range is coming around along with the plats and then we have provided a spreadsheet to the Board with totals through July the 31st of this year and direct them to the next to the last column on the right to show all of the various individuals percentage of escrowed funds in the unit for both Tracts 1 and 2, is that correct?

A. That's correct.

Q. And this will not close out the escrow for either Tract 1 or 2 or the unit, is that correct?

A. That is correct.

Q. And would we ask that the order direct

1 royalties going forward to be paid directly to these owners?

2 A. Yes.

3 JIM KAISER: Nothing further at this time, Mr.  
4 Chairman.

5 BUTCH LAMBERT: Any questions from the Board?

6 MARY QUILLEN: Just one question, Mr. Chairman.  
7 These are not...these are split agreements but they're not  
8 all 100%, correct?

9 SPENCE HALE: That's correct.

10 MARY QUILLEN: There are one---.

11 JIM KAISER: Okay. Let me go back and correct that.

12 Q. As to one of the parties to be disbursed to,  
13 Charlton Tiller, is that different from a 100%?

14 A. Yeah, it's a 75/25.

15 Q. And that's reflected in the letter that went  
16 around?

17 A. Yes.

18 Q. But all of the other parties are a 100%?

19 A. Yes.

20 MARY QUILLEN: Also, the same in Tract 2?

21 SPENCE HALE: Yes. Tracts 2 and 3.

22 JIM KAISER: 1 and 2.

23 SPENCE HALE: Or 1 and 2. I'm sorry.

24 ALLEN COMPTON: On the bottom here, it has Range  
25

1 Resources 2...2,280 some dollars and 81 cents. Are you all  
2 a part owner in that? Is that...I'm I looking at the right  
3 thing.

4 JIM KAISER: That would be in the Charlton Tiller  
5 tract. That would be the 25%. Range would have 25% and  
6 Tiller 75.

7 ALLEN COMPTON: Okay.

8 JIM KAISER: In both tracts, 1 and 2.

9 BUTCH LAMBERT: Any other questions from the Board?

10 (No audible response.)

11 BUTCH LAMBERT: Anything further, Mr. Kaiser?

12 JIM KAISER: We'd ask that the application be  
13 approved as submitted, sir.

14 BUTCH LAMBERT: Do I have a motion?

15 MARY QUILLEN: You're getting a plat, right?

16 SPENCE HALE: It has already been---.

17 JIM KAISER: It's going around somewhere.

18 MARY QUILLEN: Oh, okay. Okay. Thanks.

19 BUTCH LAMBERT: Ms. Davis, has got...bringing it,  
20 Ms. Quillen. She has it right there.

21 MARY QUILLEN: Oh, okay. Motion to approve. I  
22 just asking if you all were getting the plat.

23 DONNIE RATLIFF: Second.

24 BUTCH LAMBERT: I have a motion and a second. Any  
25

1 further discussion?

2 (No audible response.)

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

4 (All members signify by saying yes.)

5 BUTCH LAMBERT: Opposed, no.

6 (No audible response.)

7 JIM KAISER: Thank you.

8 BUTCH LAMBERT: Thank you, Mr. Kaiser.

9 JIM KAISER: I promise you going forward these  
10 things will be organized a little bit better.

11 SHARON PIGEON: You changed your reconciliation  
12 form. We really like the old form better.

13 BUTCH LAMBERT: It was easier to read.

14 SHARON PIGEON: Yeah. This is...this is more  
15 confusing for us. She's telling you not to change it back.

16 SPENCE HALE: I think this is the---

17 JIM KAISER: We've just got to do what we're asked.

18 BUTCH LAMBERT: Can we make it a little bit bigger?  
19 Can you make it a little bigger?

20 DIANE DAVIS: Let me make a comment here.

21 SHARON PIGEON: A little darker ink maybe.

22 DIANE DAVIS: This format they're using is actually  
23 the one that we use when we develop the order itself. It  
24 pretty much is mimicking it now. So, we're still working

25

1 on it. But it is small and---

2 BUTCH LAMBERT: Yeah. See if you can blow it up  
3 just a little bit.

4 DIANE DAVIS: ---dark. We will.

5 SHARON PIGEON: I need a copy of the plat, please.

6 DIANE DAVIS: I will get you the plat. I didn't  
7 make those.

8 SHARON PIGEON: Okay.

9 BUTCH LAMBERT: Okay. Calling docket item number  
10 fifteen, a petition from Range Resources-Pine Mountain,  
11 Inc. for disbursement of funds from escrow for Willard and  
12 Susie Charles, Glen and Marie Charles, Richard Charles,  
13 Sarah Mohr, Earl and Pearl Charles, Floyd and Judy Charles,  
14 Corene Wagner, Margie Yates, Vernie and Quillion Boyd, Roy  
15 Boyd and Martha Boyd Tract 4. This is docket number  
16 VGOB-05-0621-0...-1470-02. All parties wishing to  
17 testify, please come forward.

18 JIM KAISER: Mr. Chairman and Board members, Jim  
19 Kaiser and Phil Horn on behalf of Range Resources-Pine  
20 Mountain, Inc.

21 BUTCH LAMBERT: You may proceed, Mr. Kaiser.

22 JIM KAISER: Mr. Horn is passing out some revised  
23 exhibits and handing out his W-4. Mr. Horn, if you would  
24 state who you're employed by and in what capacity.

25

1                    COURT REPORTER: Raise your right hand, please.

2                    JIM KAISER: Oh, yeah. Get sworn in first.

3                    (Phil Horn is duly sworn.)

4

5    PHIL HORN

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

8    DIRECT EXAMINATION

9                    QUESTIONS BY MR. KAISER:

10                    A.            My name is Phil Horn. I'm the land manager  
11                    for Range Resources-Pine Mountain, Inc.

12                    Q.            Could you explain what we've done with the  
13                    revised exhibits?

14                    A.            We...we initially had this on for September  
15                    and we've updated the figures from the bank. Also, we sent  
16                    out W-9 forms and we've...the ones that we got back, we went  
17                    ahead and put on here. But it's...the amount is now through  
18                    9/30/2011.

19                    SHARON PIGEON: Yes. It has a date on it. Thank  
20                    you very much.

21                    PHIL HORN: You're welcome.

22                    Q.            Have all parties been notified of this  
23                    hearing as required by statute?

24                    A.            All parties except for one and I talked to

25

1 him on the phone. He sent his W-9 form in after we'd already  
2 applied. That would be Russell Boyd. He's got...as you  
3 can see he has got \$10 coming to him and went ahead and added  
4 him on here. We did not notify him, but I have talked to  
5 him on the phone. I got his W-9 form back. So, we thought  
6 we would add him on here and hopefully you all would let him  
7 get his money. If not, we'll just keep...I guess---

8 SHARON PIGEON: You talked to him directly?

9 PHIL HORN: Yeah. On the phone, yes. We're also  
10 dealing with him on a surface matter. We've got an access  
11 that we're going across him.

12 JIM KAISER: So, we did want to point out, we do not  
13 have a green card from him, but we would like to disburse  
14 him if we could.

15 SHARON PIGEON: On the basis of the testimony?

16 JIM KAISER: On the basis of testimony.

17 MARY QUILLEN: And these are all 100%?

18 PHIL HORN: Correct.

19 MARY QUILLEN: Okay.

20 BUTCH LAMBERT: How far in advance did you talk with  
21 Mr. Boyd before today...before the hearing date?

22 PHIL HORN: I talked...yeah, I talked to him when  
23 he called about his W-9 probably a month or so back. We  
24 talked to him last week.

25



1 we paid them like by \$40. So, that's why. I guess, since  
2 the interest has accrued that's why ours is \$12 higher than  
3 theirs.

4 Q. And would you ask that the order state that  
5 going forward, at least as to these parties...these royalty  
6 owners in Tract 4, that their royalties be paid directly?

7 A. That's correct.

8 Q. And this disbursement will not close out the  
9 escrow for Tract 4 and will not close out the escrow for the  
10 unit, is that correct?

11 A. That is also correct.

12 JIM KAISER: Nothing further at this time, Mr.  
13 Chairman.

14 BUTCH LAMBERT: Any questions from the Board?

15 (No audible response.)

16 BUTCH LAMBERT: Anything further?

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

19 BUTCH LAMBERT: Do I have a motion?

20 MARY QUILLEN: Motion to approve.

21 BRUCE PRATHER: Second.

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

24 (No audible response.)

25

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

2           (All members signify by saying yes.)

3           BUTCH LAMBERT: Opposed, no.

4           (No audible response.)

5           BUTCH LAMBERT: Thank you, Mr. Kaiser. That's  
6 approved.

7           DONNIE RATLIFF: Are we distributing the bank total  
8 or Range total?

9           BUTCH LAMBERT: It should be the Range total.

10          RICK COOPER: The bank total.

11          PHIL HORN: Will it be...do what?

12          RICK COOPER: The bank total.

13          PHIL HORN: That would be the bank total, I think,  
14 unless---

15          BUTCH LAMBERT: The bank total. Okay, I'm sorry.  
16 I stand corrected.

17          JIM KAISER: Those percentages of the bank total as  
18 of the date of disbursement, right?

19          DONNIE RATLIFF: But you're saying the bank when  
20 they transferred the money from Wachovia to First State  
21 Bank, deposited less than what you had paid in---?

22          PHIL HORN: According to our records, yes, that's  
23 correct. But I still...I mean, unless you want us to put  
24 that extra \$12 in there, I think we would have to use the

25

1 bank's figure since the money is coming out of the bank,  
2 right?

3 RICK COOPER: You are correct.

4 PHIL HORN: And I don't know whether it was  
5 Wachovia's fees or what, but there was a difference in the  
6 two according the bank and according to what we paid  
7 Wachovia.

8 BUTCH LAMBERT: Okay.

9 DIANE DAVIS: We did have a period of time  
10 where...remember that last transfer that we had some issues?

11 PHIL HORN: That's about a...\$12 a month is about  
12 what is going to into escrow.

13 DIANE DAVIS: We could research it.

14 BUTCH LAMBERT: Will this...will this issue show up  
15 when the ladies begin EQT's audit?

16 DIANE DAVIS: Pardon me? I'm sorry.

17 BUTCH LAMBERT: The issue with the \$40, that should  
18 be discovered when the ladies are doing the EQT review?

19 DIANE DAVIS: It's possible. I don't know when  
20 it...because it's going back those 10 years with Wachovia.  
21 We may be able to see it. I was thinking about looking at  
22 that when we get back.

23 BUTCH LAMBERT: Okay.

24 DIANE DAVIS: We haven't done EQT's, but we should

25

1 have some data on it.

2 BUTCH LAMBERT: Okay.

3 SHARON PIGEON: So, we may be able to track it  
4 down---

5 DIANE DAVIS: What we could do is do a later...you  
6 know, if we did, in fact, find---

7 JIM KAISER: This is actually Range.

8 DIANE DAVIS: ---that there was \$12 that we  
9 owed...I'm sorry. Range, I'm sorry.

10 JIM KAISER: That's all right.

11 DIANE DAVIS: We could actually do a  
12 difference...another disbursement to them, \$3 or \$4.

13 SHARON PIGEON: Yes.

14 RICK COOPER: If you find the difference, right.

15 BUTCH LAMBERT: Okay.

16 DIANE DAVIS: We could catch it up.

17 BUTCH LAMBERT: Okay. We're moving on to docket  
18 item number twenty-four.

19 (Board members confer.)

20 BUTCH LAMBERT: Docket item twenty-four is the  
21 Board on its own motion will consider a proposal from the  
22 horizontal drilling committee established by the Board for  
23 an order establishing field rules for horizontal drilling  
24 in Southwest Virginia. This is docket number

25

1 VGOB-11-0816-2986. That item will be continued until  
2 November.

3 JIM KAISER: Yes, sir. And, Ms. Pigeon, we do have  
4 a draft application that should be in your email when you  
5 get back.

6 SHARON PIGEON: I'm thrilled at the prospect.

7 JIM KAISER: I know.

8 BUTCH LAMBERT: Okay, we're calling docket item  
9 number twenty-nine, a petition from Appalachian Energy,  
10 Inc. for pooling of coalbed methane unit AE-229 and AE-239.  
11 This is docket number VGOB-11-0920-2989. All parties  
12 wishing to testify, please come forward.

13 JIM KAISER: Mr. Chairman and Board members, Jim  
14 Kaiser, Justin Phillips and Brad Crabtree on behalf of  
15 Appalachian Energy, Inc. I'd ask that these two be sworn  
16 at this time.

17 (Justin Phillips and Brad Crabtree are duly  
18 sworn.)

19 JIM KAISER: And we'll start with Mr. Phillips.  
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JUSTIN PHILLIPS

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

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Phillips, if you'd state your name for the record, who you're employed by and in what capacity, as you're handing out those revised exhibits. See if you can multi-task.

SHARON PIGEON: I can't.

BUTCH LAMBERT: No.

(Revised exhibits are passed out.)

A. Justin Phillips, Appalachian Energy, Inc., land manager.

Q. And can you explain what the revised exhibits reflect?

A. Yes. We were successful in picking up some more leases on Tract 4, which has the only unleased parties.

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

A. Yes, that's correct.

Q. And you're familiar with the application that we filed seeking a pooling order for these two wells?

A. Yes.

1 Q. And does Appalachian Energy own drilling  
2 rights in the unit involved here?

3 A. Yes, we do.

4 Q. And prior to and after the filing of the  
5 application were efforts made to contact each respondent and  
6 an attempt made to work out a voluntary agreement regarding  
7 the development of the unit?

8 A. Yes.

9 Q. What percentage of the gas and coal estate  
10 are under lease to Appalachian Energy at this time?

11 A. 99.93%.

12 Q. And these are fee mineral tracts, correct?

13 A. That's correct.

14 Q. In other words, the coal, oil and gas owner  
15 are the same?

16 A. That is correct.

17 Q. Okay. And all the current unleased parties  
18 are set out at revised Exhibit B-3?

19 A. That is correct.

20 Q. So, what percentage of the coal, oil and gas  
21 estate remains unleased?

22 A. .7%.

23 Q. Now, do we have any unknowns in the unit?

24 A. Yes, we do. They're on, I believe, Exhibit  
25

1 E.

2 Q. They're on Exhibit E. And were reasonable  
3 and diligent efforts made and the sources checked to attempt  
4 to locate and identify these unknowns?

5 A. Yes, they were.

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

9 A. Yes.

10 Q. Are the addressing set out in revised  
11 Exhibit B, to the best of your knowledge, the last known  
12 addresses for the respondents?

13 A. Yes.

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

17 A. Yes, we are.

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

21 A. Yes.

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

24 A. A \$5 bonus, a five year term and a one-eighth

25

1 royalty.

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

6 A. Yes.

7 Q. Now, based on the folks who have not  
8 voluntarily agreed to lease, do you agree that they be  
9 allowed their statutory options with respect to their  
10 ownership interest within the unit being: 1) Direct  
11 participation; 2) a cash bonus of \$5 per net mineral acre plus  
12 a one-eighth of eight-eighths royalty; or 3) in lieu of a cash bonus  
13 and one-eighth of eight-eighths royalty share in the operation of  
14 the well on a carried basis as a carried operator under the  
15 following conditions: Such carried operator shall be entitled  
16 to the share of production from the tracts pooled accruing to his  
17 or her interest exclusive of any royalty or overriding royalty  
18 reserved in any leases, assignments thereof or agreements  
19 relating thereto of such tracts, but only after the proceeds  
20 applicable to his or her share equal, A) 300% of the share of such  
21 costs applicable to the interest of the carried operator of a  
22 leased tract or portion thereof; or B) 200% of the share of such  
23 costs applicable to the interest of a carried operator of an  
24 unleased tract or portion thereof?

25

1 A. Yes.

2 Q. Do you recommend that the order provide that  
3 elections to respondents be in writing and sent to the applicant  
4 at Appalachian Energy, Inc., P. O. Box 2406, Abingdon, Virginia  
5 24212-2406, Attention: Justin Phillips?

6 A. Yes.

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

11 A. Yes.

12 Q. Should the unleased respondents be given 30  
13 days from their receipt of the recorded Board order to file their  
14 written elections?

15 A. Yes.

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

19 A. Yes.

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

25

1 A. Yes.

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

6 A. Yes.

7 Q. Do you recommend that the order provide that  
8 where a respondent elects to participate but defaults in regard  
9 to the payment of actual well costs any cash sum becoming payable  
10 to that respondent be paid within 60 days after the last date on  
11 which the respondent could or should have made satisfactory  
12 arrangements for the payment of well costs?

13 A. Yes.

14 Q. Does the Board need to establish an escrow  
15 account for this unit?

16 A. Yes. The unknown on Exhibit E.

17 Q. And that is in Tract?

18 A. That is in Tract 4.

19 Q. 4. And who should be named operator under the  
20 force pooling order?

21 A. Appalachian Energy, Inc.

22 JIM KAISER: That's all I have for this witness, Mr.  
23 Chairman.

24 BUTCH LAMBERT: Any questions from the Board?

25

1                    SHARON PIGEON: The unknown and unlocateable is also a  
2 fee owner, is that correct, from your alls research?

3                    JUSTIN PHILLIPS: That is correct.

4                    SHARON PIGEON: Thank you.

5                    BUTCH LAMBERT: Any other questions?

6                    DONNIE RATLIFF: Mr. Chairman, I'd like to commend them  
7 for getting 58 leases out of 61. We don't see that very often.  
8 That's some ground work.

9                    BUTCH LAMBERT: Any other questions?

10                   (No audible response.)

11                   BUTCH LAMBERT: Anything further, Mr. Kaiser?

12

13    BRAD CRABTREE

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

15    DIRECT EXAMINATION

16                   QUESTIONS BY MR. KAISER:

17                   Q.        Mr. Crabtree.

18                   A.        I'm Brad Crabtree, vice president of  
19 Appalachian Energy.

20                   Q.        Now, you've not testified before the...before  
21 the Virginia Gas and Oil Board, correct?

22                   A.        That's correct.

23                   Q.        Can you just sort of give them a little bit of  
24 background about your education and work experience?

25

1           A.       I'm a registered professional engineer in the  
2 State of Virginia. I hold a degree in general engineering  
3 technologies from Highlands...Virginia Highlands Community  
4 College and a Bachelor of Science in mechanical engineering from  
5 the University of North Carolina at Charlotte. I spent 15 plus  
6 years in the natural gas industry with the majority of that being  
7 in either a managerial or an engineering capacity. I've worked  
8 5 and a half years at Virginia Gas Pipeline Company. I was the  
9 facility engineer. I held the position of facility engineer,  
10 director of engineering operations and manager of storage  
11 operations at the Saltville Storage Facility. During that  
12 period that facility grew from a two cavern 8 mile pipeline  
13 facility to an 8 cavern 60 mile pipeline facility. I was  
14 responsible for the project management budgeting and day to day  
15 operations at that facility. I've worked 4 and half years at Duke  
16 Energy Gas Transmission, which is now spectra. I took...the  
17 original position that I accepted there was a Division Engineer.  
18 I eventually was promoted to manager of plant operations, which  
19 entitled essentially around 47 natural gas transmission  
20 compressor stations in 13 states in which we did budgeting,  
21 technical oversight and technical support for...technical  
22 problems that arose and just capital expansions and facility  
23 enhancements. Currently, I'm the vice president at Appalachian  
24 Energy in Abingdon. I initially was hired as a senior engineer

25

1 there. I'm responsible for the day to day operations of the  
2 company in the absence of the president as well as the permitting,  
3 budgeting, drilling oversight and other technical oversight.  
4 During that 15 years, I also worked roughly a year for a pipeline  
5 contractor as an engineer and spent a couple of months at the  
6 Division of Gas and Oil as an inspector.

7 BUTCH LAMBERT: Really. I didn't know that.

8 Q. Thank you. Now, in this particular case, we're  
9 pooling the unit and we have two wells planned. One of the wells,  
10 actually AE-229 was force pooled some...apparently a little bit  
11 over two years ago?

12 A. That's correct.

13 Q. So, we're repooling it here. Could you state  
14 the depth for both of these wells with 229 first and then 239?

15 A. AE-229 the proposed depth is 1565 feet. AE-239  
16 the proposed depth is 1530 feet.

17 Q. And what are the estimated reserves for the  
18 unit? I guess you would add those two together, wouldn't you?

19 A. No. It's 375 million cubic feet. That's the  
20 unit.

21 Q. That's the unit. And you're familiar with the  
22 well costs for the proposed wells under the plan of development?

23 A. Yes.

24 Q. And has AFEs been reviewed, signed and  
25

1 submitted to the Board?

2 A. Yes.

3 Q. In your opinion, do these AFEs represent a  
4 reasonable estimate of well costs for these two wells?

5 A. Yes.

6 Q. Starting with AE-229, could you state first the  
7 dry hole costs and completed well costs for that well?

8 A. AE-229 the dry hole cost is \$120,265. The  
9 completed well cost is \$350,842.

10 Q. And for AE-239?

11 A. It would be a dry hole cost of \$127,092 and  
12 completed well costs of \$346,627.

13 Q. And do these costs anticipate a multiple  
14 completion?

15 A. Yes.

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

18 A. Yes.

19 Q. In your professional opinion, would the  
20 granting of this application be in the best interest of  
21 conservation,---?

22 A. Yes.

23 Q. ---the prevention of waste and the protection  
24 of correlative rights?

25

1 A. Yes.

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

4 BUTCH LAMBERT: Any questions from the Board?

5 (No audible response.)

6 BUTCH LAMBERT: Anything further, Mr. Kaiser?

7 JIM KAISER: We'd ask that the application be approved  
8 as submitted with the revised exhibits reflecting the additional  
9 leases.

10 BUTCH LAMBERT: Do I have a motion?

11 MARY QUILLEN: Motion to approve.

12 BRUCE PRATHER: Second.

13 BUTCH LAMBERT: A motion and a second. Any further  
14 discussion?

15 (No audible response.)

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

17 (All members signify by saying yes.)

18 BUTCH LAMBERT: Opposed, no.

19 (No audible response.)

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

21 JIM KAISER: Thank you. Mr. Chairman, Mr. Scott, I've  
22 only got one more item, and he is going to allow me, I guess,  
23 to...allow me to go ahead. It will be item number forty-one,  
24 which I call the Diane Davis petition.

25

1                    SHARON PIGEON: It sounds like he changed his mind.

2                    BUTCH LAMBERT: Mr. Scott, is not usually destined to  
3 getting up before dinner anyway. So---.

4                    (Laughs.)

5                    SHARON PIGEON: We were quite surprised you were here  
6 actually, but delighted nonetheless.

7                    JIM KAISER: He got the word on the continuances.

8                    BUTCH LAMBERT: Okay. We're calling docket item number  
9 forty-one, a petition from Range Resources-Pine Mountain, Inc.  
10 for the transfer of the right to operate units for various orders  
11 issued for Buchanan and Dickenson County, docket number  
12 VGOB-11-1018-2997. All parties wishing to testify, please come  
13 forward.

14                   JIM KAISER: Mr. Chairman, Jim Kaiser and Phil Horn on  
15 behalf of Range Resources-Pine Mountain.

16                   BUTCH LAMBERT: You may proceed, Mr. Kaiser.

17

18

19

20

21    PHIL HORN

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

23    DIRECT EXAMINATION

24                   QUESTIONS BY MR. KAISER:

25

1                   Q.       Mr. Horn, this is an application to transfer the  
2 right of operatorship to units established by Board order, is that  
3 correct?

4                   A.       That's correct.

5                   Q.       And these units were originally established as  
6 the operator being Chesapeake Appalachia, LLC, is that correct?

7                   A.       Or some of them go back to CNR probably.

8                   Q.       Oh, they do? Okay.

9                   A.       Yeah.

10                  Q.       Okay. Some of them go all the way back to  
11 Columbia Natural Resources, a predecessor in interest to  
12 Chesapeake Appalachia. And you all purchased their Virginia  
13 assets?

14                  A.       That's correct.

15                  Q.       And at the time that you did that or soon  
16 thereafter, I guess, there was a transfer of the permits, correct?

17

18                  A.       That's correct.

19                  Q.       And then Ms. Davis correctly reading the  
20 regulations correctly figured out that we also needed to under  
21 the regs transfer the right of unit operatorship on the units that  
22 were created by the Board and that's what this application  
23 proposes to do, is that correct?

24                  A.       That's correct.

25

1 Q. And we do have included in the application, a  
2 list of all of the established units and a letter from the  
3 predecessor operator, that being Chesapeake Appalachia,  
4 acknowledging that the operatorship of these units has been  
5 technically and legally transferred to Range, is that correct?

6 A. That's correct.

7 Q. So, I guess the relief that we're requesting  
8 here is that the Board enter an order listing all of the units  
9 that we have included in our Exhibit A to this application and  
10 have any affect of transferring the right of operatorship in those  
11 units from Chesapeake to Appalachia, LLC to Range Resources-Pine  
12 Mountain, Inc.

13 A. That's correct.

14 Q. Is that correct?

15 A. Yes, sir.

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

17 SHARON PIGEON: Jim---

18 BUTCH LAMBERT: Any questions from the Board?

19 SHARON PIGEON: Jim, this Exhibit B letter from Michael  
20 Rossiter, of course, doesn't have the individual units  
21 enumerated. Did Range buy out all of their operations in  
22 Virginia?

23 PHIL HORN: There are a few leases that were not  
24 consented to, but other than that yes. Other than a few leases

25

1 where the people not consented to the assignment.

2 SHARON PIGEON: The individual owner---?

3 JIM KAISER: (Inaudible).

4 PHIL HORN: Oh, and Gus says they bought some...they  
5 have some Wise County wells that we did not get. But we  
6 got...other than the leases that were not consented, we got all  
7 of their properties in Dickenson and Buchanan County.

8 JIM KAISER: Yeah, I believe the Wise County leases are  
9 probably the ARC Land well leases.

10 PHIL HORN: Yes.

11 JIM KAISER: Yeah. They had already been, I think,  
12 farmed out to somebody else prior to the purchase agreement with  
13 Chesapeake.

14 SHARON PIGEON: So, is it Mr. Horn's testimony that the  
15 letter of September 15, 2011 from Michael Rossiter refers to the  
16 units set out in your Exhibit A?

17 PHIL HORN: Yes.

18 JIM KAISER: Thank you.

19 SHARON PIGEON: Thank you.

20 BUTCH LAMBERT: Any other questions?

21 (No audible response.)

22 BUTCH LAMBERT: Anything further, Mr. Kaiser?

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

25

1                   BUTCH LAMBERT: Do I have a motion?  
2                   MARY QUILLEN: Motion to approve.  
3                   BRUCE PRATHER: Second.  
4                   BUTCH LAMBERT: A motion and second. Any further  
5 discussion?  
6                   (No audible response.)  
7                   BUTCH LAMBERT: All in favor, signify by saying yes.  
8                   (All members signify by saying yes, but Donnie  
9 Ratliff.)  
10                  BUTCH LAMBERT: Opposed, no.  
11                  DONNIE RATLIFF: I'll abstain, Mr. Chairman.  
12                  BUTCH LAMBERT: One abstention, Mr. Ratliff. Thank  
13 you, Mr. Kaiser. It's approved.  
14                  JIM KAISER: Thank you.  
15                  BUTCH LAMBERT: Calling item number thirty on the  
16 docket, a petition from Range Resources-Pine Mountain, Inc. for  
17 a well location exception for proposed well V-530317, docket  
18 number VGOB-11-0920-2990. All parties wishing to testify,  
19 please come forward.  
20                  TIM SCOTT: Tim Scott, Gus Jansen and Phil Horn for Range  
21 Resources-Pine Mountain, Inc.  
22                  (Gus Jansen is duly sworn.)  
23                  TIM SCOTT: Yes, it's before 12:00 and I am here.  
24                  SHARON PIGEON: Make a note in the record.

25

1                   TIM SCOTT: That's right. Mark your calendar.

2                   BUTCH LAMBERT: You may proceed, Mr. Scott.

3                   TIM SCOTT: Thank you, Mr. Chairman.

4

5   PHIL HORN

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

7   DIRECT EXAMINATION

8                   QUESTIONS BY MR. SCOTT:

9                                   Q.       Mr. Horn, state your name, by whom you're  
10                   employed and your job description.

11                                  A.       My name is Phil Horn. I'm employed by Range  
12                   Resources-Pine Mountain, Inc. as the land manager.

13                                  Q.       You're familiar with this application, is that  
14                   correct?

15                                  A.       Yes, I am.

16                                  Q.       Are you also familiar with the ownership of the  
17                   minerals encompassed by this unit?

18                                  A.       Yes, I am.

19                                  Q.       And those owners are set out on Exhibit B, is  
20                   that correct?

21                                  A.       That's correct.

22                                  Q.       Who operates the wells from which the well  
23                   location exception is sought today?

24                                  A.       EQT Production Company.

25

1 Q. Is...does Range also participate in these  
2 wells?

3 A. Yes. We have an interest in all of these wells  
4 also.

5 Q. And in some instances you all are owners as  
6 well, is that right?

7 A. That's correct.

8 Q. Okay. How was notice of this hearing provided  
9 to the parties listed on Exhibit B?

10 A. By certified mail.

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

13 A. Yes, you have.

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

15 BUTCH LAMBERT: Any questions from the Board?

16 (No audible response.)

17 BUTCH LAMBERT: You may continue, Mr. Scott.

18 TIM SCOTT: Thank you.

19

20

21

22 GUS JANSEN

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

24 DIRECT EXAMINATION

25

1 QUESTIONS BY MR. SCOTT:

2 Q. Mr. Jansen, your name, by whom you're employed  
3 and your job description, please?

4 A. My name is Gus Jansen. I'm employed by Range  
5 Resources-Pine Mountain, Inc. as the manager of geology.

6 Q. Are you familiar with this application?

7 A. Yes, I am.

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

10 A. I did.

11 Q. Please tell the Board why we're seeking a well  
12 location exception for this particular unit.

13 A. Yes. If the Board will refer to the Exhibit AA  
14 that I handed out, you'll see the location for proposed well  
15 530317 outlined in red with a green stippled area. This well has  
16 been positioned to maximize the recovery of the remaining natural  
17 gas resources stranded with the relationship to the existing  
18 offsetting wells. There is no location available that meets the  
19 statewide spacing requirements. In the event this well is not  
20 drilled, it will result in approximately 78.26 acres of stranded  
21 reserves.

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

23 A. 5,834 feet.

24 Q. And the potential loss of reserves if the Board  
25

1 doesn't approve our application?

2 A. 450 million cubic feet of gas.

3 Q. In your opinion, if the application is granted,  
4 it will promote conservation and prevent waste, is that correct?

5 A. That is correct.

6 Q. And we do not have a correlative rights issue,  
7 is that right?

8 A. No, we do not.

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

10 BUTCH LAMBERT: Any questions from the Board?

11 (No audible response.)

12 BUTCH LAMBERT: Anything further, Mr. Scott?

13 TIM SCOTT: That's all I have, Mr. Chairman, for this  
14 one.

15 BUTCH LAMBERT: Do I have a motion?

16 MARY QUILLEN: Motion to approve.

17 BRUCE PRATHER: Second.

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

20 (No audible response.)

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

22 (All members signify by saying yes.)

23 BUTCH LAMBERT: Opposed, no.

24 (No audible response.)

25

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

2           TIM SCOTT: Thank you, Mr. Chairman.

3           BUTCH LAMBERT: Calling docket item number thirty-one,  
4 a petition from Range Resources-Pine Mountain, Inc. for a well  
5 location exception for proposed well V-530304, docket number  
6 VGOB-11-0920-2991. All parties wishing to testify, please come  
7 forward.

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

10          BUTCH LAMBERT: You may proceed, Mr. Scott.

11          TIM SCOTT: Thank you, Mr. Chairman. I'm going  
12 to...for each of the following...or the next applications, I'm  
13 going to ask that Mr. Jansen and Mr. Horn's testimony regarding  
14 employment and job description be incorporated by reference. My  
15 life was lovely enough to give me this...whatever this is that's  
16 floating around. It was a parting gift. So, I'm losing my  
17 voice. I apologize.

18          BUTCH LAMBERT: Gus, you might want to...

19                   (Laughs.)

20          TIM SCOTT: I'm not contagious, however.

21          BUTCH LAMBERT: That will be accepted, Mr. Scott.

22          TIM SCOTT: Thank you.

23

24

PHIL HORN

25

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

2 DIRECT EXAMINATION

3 QUESTIONS BY MR. SCOTT:

4 Q. Mr. Horn, are you familiar with this  
5 application?

6 A. Yes, I am.

7 Q. Are you familiar with the ownership of the  
8 minerals underlying this unit?

9 A. Yes, I am.

10 Q. Are those owners set out on Exhibit B?

11 A. Yes, they are.

12 Q. And who operates the wells from which the well  
13 location is sought today?

14 A. V-530212 is operated by EQT Production  
15 Company...I mean, by Range Resources-Pine Mountain, Inc. and  
16 V-537557 is operated by EQT Production Company.

17 Q. And Range also participates in 537557, is that  
18 correct?

19 A. Yes. We also own an interest in the second  
20 well.

21 Q. Now, we have some unknowns in this unit, is that  
22 right?

23 A. Yes.

24 Q. And how was notice of this hearing provided?

25



1 AA, you will see the location of proposed well 530304 to be the  
2 well unit outlined in red with the green stippled area. This well  
3 have been positioned due to steep terrain and topographic  
4 constraints and will result in a maximum recovery of the natural  
5 gas resource with relationship to the existing offsetting wells.  
6 The nearest visible location meeting the statewide spacing  
7 requirements that we have been able to identify is approximately  
8 1,000 feet to the west. In the event that we do not drill at this  
9 location, it will result in approximately 106.95 acres of  
10 stranded acres.

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

12 A. 5,388 feet.

13 Q. And the potential loss of reserves if the  
14 application is not granted?

15 A. 425 million cubic feet of gas.

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

18 A. That is correct.

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

21 A. That's correct.

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

23 BUTCH LAMBERT: Any questions from the Board?

24 (No audible response.)

25



1 are employed will be incorporated by reference.

2 BUTCH LAMBERT: Accepted.

3 TIM SCOTT: Thank you.

4

5 PHIL HORN

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

7 DIRECT EXAMINATION

8 QUESTIONS BY MR. SCOTT:

9 Q. Mr. Horn, are you familiar with this  
10 application?

11 A. Yes, I am.

12 Q. Are you familiar with the ownership of the  
13 minerals in this unit, is that right?

14 A. Yes, I am.

15 Q. Are those owners set out in Exhibit B?

16 A. Yes, they are.

17 Q. Can you tell us who operates the wells from  
18 which this well location exception is sought today?

19 A. Range Resources-Pine Mountain, Inc. operates  
20 those three wells.

21 Q. All three of them, is that correct?

22 A. That's correct.

23 Q. And then Range is also an owner as well, is that  
24 correct?

25

1 A. Yeah, we own the oil and gas inside this unit  
2 also.

3 Q. Okay. Now, we have unknowns in this one as  
4 well?

5 A. Yes, we do.

6 Q. So, how as notice of this hearing provided?

7 A. By certified mail and also by publication in the  
8 Dickenson Star on August the 31st, 2011.

9 Q. And we've provided a proof of mailing and  
10 publication to the Board, is that right?

11 A. Yes, you have.

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

13 BUTCH LAMBERT: Any questions from the Board?

14 (No audible response.)

15 BUTCH LAMBERT: You may continue, Mr. Scott.

16 TIM SCOTT: Thank you, Mr. Chairman.

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23

GUS JANSEN

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

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DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, are you familiar with this application?

A. Yes, I am.

Q. And you participated in the preparation, is that correct?

A. I did.

Q. Can you tell the Board why we're seeking a well location exception for this particular unit?

A. Yes. Again, if the Board will refer Exhibit AA you will see the location of proposed well V-900033. This well is outlined in red with the green stippled area showing the unit. This well, again, has been positioned to maximize the recovery of the remaining natural gas resources and stranded with relationship to the offsetting wells. I mean, there is no location available which meets the statewide spacing requirements. In the event the well is not drilled at this location, the result will be a 107.43 acres of stranded acres.

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

A. 5,255 feet.

Q. And the potential loss of reserves?

A. 400 million cubic feet of gas.

Q. Okay. And if the Board grants our application

1 today, it will promote conservation, prevent waste and protect  
2 correlative rights, is that correct?

3 A. That is correct.

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

5 BUTCH LAMBERT: Any questions from the Board?

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

7 BUTCH LAMBERT: Mr. Prather.

8 BRUCE PRATHER: I assume this well EH-51 is an old  
9 Edwards & Harding well, isn't it?

10 GUS JANSEN: Yes. To the northwest?

11 BRUCE PRATHER: Yeah. I assume that that has been  
12 picked up by either Range or by Equitable one or the other.

13 GUS JANSEN: That is...Appalachian Energy is the  
14 operator of that well.

15 BRUCE PRATHER: Appalachian Energy, okay. Okay,  
16 that's good. Thank you.

17 ALLEN COMPTON: On the last page here, you have...I  
18 guess it's one of the shareholders or heirs. It has Walling E.  
19 Rush at the bottom of the page.

20 MARY QUILLEN: On the last page.

21 ALLEN COMPTON: On the last page.

22 TIM SCOTT: On Exhibit B.

23 BUTCH LAMBERT: At the bottom of the page, Mr. Horn.

24 MARY QUILLEN: Unknown heirs.

25

1           PHIL HORN: Oh, I'm sorry. I've got the wrong file.

2           ALLEN COMPTON: I'm not sure if that's misspelled or  
3 not. But that's Walter...I've always known him by Walter Lee  
4 Rush. He's a deceased attorney. That's his sister right above  
5 there.

6           PHIL HORN: Okay.

7           ALLEN COMPTON: Rose Allan Rush.

8           PHIL HORN: All right, sir.

9           ALLEN COMPTON: She would probably be the heir, I would  
10 imagine.

11          PHIL HORN: These people are receiving royalties from  
12 an old unit. Apparently, he has passed away and we didn't have  
13 any...we're not paying...we don't know who to pay the royalties  
14 to. But you say that is his sister?

15          ALLEN COMPTON: That's his sister above there. The  
16 reason I know that is she just turned 107 years old.

17          BUTCH LAMBERT: Wow.

18          DONNIE RATLIFF: You'd better get to her pretty quick.

19          PHIL HORN: Okay.

20          ALLEN COMPTON: And she does drive her friends around  
21 to the post office.

22          PHIL HORN: Well, I appreciate that. Like I said, all  
23 of the owners are...where Chesapeake drilled a well back in the  
24 '70s and these are some of the heirs of the original oil and gas

25

1 owners. We're not...they were all leased. He's the only one  
2 apparently that we're not paying royalties to. But I'll...we'll  
3 contact her. Thank you.

4 BUTCH LAMBERT: So, if he's passed away, I guess we  
5 need...that would go to his heirs.

6 PHIL HORN: Yes. I guess we basically got this decks  
7 transferred from over what Chesapeake was paying when we bought  
8 these wells. (Inaudible) usually there's more than...a lot of  
9 times these people only get a couple of dollars a month or  
10 something or a couple dollars a year and they just don't contact  
11 the gas companies and let us know what becomes of their interest  
12 when they pass away.

13 BUTCH LAMBERT: Okay. But you will follow up on that?

14 PHIL HORN: Yes, sir.

15 BUTCH LAMBERT: Okay. Thank you, Mr. Horn. Anything  
16 further, Mr. Scott?

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

18 BUTCH LAMBERT: Do I have a motion?

19 MARY QUILLEN: Motion to approve.

20 BRUCE PRATHER: Second.

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

23 (No audible response.)

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

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(All members signify by saying yes.)

BUTCH LAMBERT: Opposed, no.

(No audible response.)

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

TIM SCOTT: Thank you, sir.

BUTCH LAMBERT: We're calling docket number thirty-three, a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530318, docket number VGOB-11-0920-2993. All parties wishing to testify, please come forward.

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

BUTCH LAMBERT: You may proceed, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman. I figured out it takes me less time to ask them those questions than ask for incorporation by reference.

PHIL HORN

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

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DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. So, your name, by whom you're employed and your job description.

A. Phil Horn, land manager of Range Resources-Pine Mountain, Inc.

Q. Thank you, sir.

A. You're welcome.

Q. Are you familiar with the ownership of the minerals in this unit?

A. Yes, I am.

Q. Are those owners set out on Exhibit B?

A. That's correct.

Q. And who operates the wells from which the well location exception is sought today?

A. EQT Production Company and Range Resources-Pine Mountain, Inc. also owns an interest in those wells.

Q. Okay. How was notice of this hearing provided to the parties listed on Exhibit B?

A. By certified mail.

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

A. Yes, you have.

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

2                   BUTCH LAMBERT: Any questions from the Board?

3                   (No audible response.)

4                   BUTCH LAMBERT: You may continue, Mr. Scott.

5                   TIM SCOTT: Thank you, Mr. Chairman.

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GUS JANSEN

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

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DIRECT EXAMINATION

10 QUESTIONS BY MR. SCOTT:

11                   Q.           Mr. Jansen, your name, by whom you're employed  
12 and your job description.

13                   A.           Gus Jansen. I'm employed by Range  
14 Resources-Pine Mountain, Inc. as the manager of geology.

15                   Q.           Are you familiar with this application?

16                   A.           I am.

17                   Q.           And did you also participate in the preparation  
18 of the application?

19                   A.           I did.

20                   Q.           Please tell the Board why we're seeking a well  
21 location exception for this particular well.

22                   A.           Yes. Again, if the Board will refer to Exhibit  
23 AA you'll see the location of proposed well 530318. This well  
24 is outlined in red with the green stippled area. Once again, this

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1 well has been positioned to maximize the recovery of the remaining  
2 nature deep gas resources stranded with relationship to the  
3 existing offsetting wells. There is no location available that  
4 meets the statewide spacing requirements. In the event this well  
5 is not drilled, approximately 107.24 acres of reserves will be  
6 stranded.

7 Q. And what's the proposed depth of this well, Mr.  
8 Jansen?

9 A. 5,863 feet.

10 Q. And the potential loss of reserves if the  
11 application is not granted?

12 A. 400 million cubic feet of gas.

13 Q. So, the application was granted, it would  
14 promote conservation, prevent waste and protect correlative  
15 rights, is that correct?

16 A. That is correct.

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

18 BUTCH LAMBERT: Any questions from the Board?

19 (No audible response.)

20 BUTCH LAMBERT: Anything further, Mr. Scott?

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

22 BUTCH LAMBERT: Do I have a motion?

23 MARY QUILLEN: Motion to approve.

24 BRUCE PRATHER: Second.

25

1           BUTCH LAMBERT: A motion and a second. Any further  
2 discussion?

3           (No audible response.)

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

5           (All members signify by saying yes, but Donnie  
6 Ratliff.)

7           BUTCH LAMBERT: Opposed, no.

8           DONNIE RATLIFF: I'll abstain.

9           BUTCH LAMBERT: One abstention Mr. Ratliff. We're  
10 calling docket item thirty-four, a petition from Range  
11 Resources-Pine Mountain, Inc. for the establishment of a drilling  
12 unit and pooling of V-530304, docket number VGOB-11-0920-2994.  
13 All parties wishing to testify, please come forward.

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

16           BUTCH LAMBERT: You may proceed, Mr. Scott.

17           TIM SCOTT: Thank you, Mr. Chairman.

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PHIL HORN

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

2 DIRECT EXAMINATION

3 QUESTIONS BY MR. SCOTT:

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

6 A. My name is Phil Horn. I'm the land manager for  
7 Range Resources-Pine Mountain, Inc.

8 Q. Are you familiar with this application?

9 A. Yes, I am.

10 Q. And does this unit have a 112.69 acres?

11 A. Yes, it does.

12 Q. Okay. Does Range have this acreage under  
13 lease?

14 A. We own some acres. We have a little bit under  
15 lease and then we're here to pool the unleased parts.

16 Q. Okay. Are there any respondents listed  
17 on...is unleased on Exhibit B-3 that we're going to dismiss today?

18 A. Yes. We'd like to dismiss Barry Nowlin,  
19 N-O-W-L-I-N.

20 Q. Okay. Any others?

21 A. No.

22 Q. Okay. Have you attempted to reach an agreement  
23 with the remaining parties listed on Exhibit B-3?

24 A. Yes, we have.

25

1 Q. And as a result of your leasing efforts, what  
2 percentage of the unit do you have under lease currently?

3 A. 96.8766667%.

4 Q. Now, we've provided notice to the parties  
5 listed on Exhibit B, is that right, of this hearing?

6 A. That's correct.

7 Q. And how was that done?

8 A. By certified mail and also we published a  
9 publication in the Dickenson Star on August the 31st, 2011.

10 Q. Okay. Do we have unknown owners in the unit?

11 A. Yes, we have one unknown owner. Correct.

12 Q. And you've provided the inspector with the...or  
13 the Director with your efforts to locate these individuals, is  
14 that correct?

15 A. That's correct.

16 Q. And that's on file with the Director's office?

17 A. That's correct.

18 Q. Okay. Have you filed proof of publication and  
19 mail certification with the Board?

20 A. Yes, we have.

21 Q. Now, Range is authorized to conduct business in  
22 the Commonwealth, is that right?

23 A. That's correct.

24 Q. Have a bond on file, is that right?

25

1 A. That's correct.

2 Q. Now, what would be the terms that you would  
3 offer to any of the parties listed on B-3 if you were to come to  
4 an agreement with those individuals?

5 A. \$25 per acre for a five year paid up lease that  
6 provides for a one-eighth royalty.

7 Q. Do you consider it to be fair compensation for  
8 a lease in this area?

9 A. Yes, I do.

10 Q. And presently what...what percentage of the oil  
11 and gas estate is Range seeking to pool?

12 A. 3.52%.

13 Q. And you did indicate earlier that we have an  
14 unknown, is that right?

15 A. That's correct.

16 Q. So, an escrow requirement...we do have an  
17 escrow requirement for this unit, is that also correct?

18 A. That's correct.

19 Q. Okay. Have we supplied an Exhibit E?

20 A. Yes, we have.

21 Q. And please tell the Board which tract or tracts  
22 are going to be subjected to escrow?

23 A. It's Tract 10.

24 Q. And what's the percentage?

25

1 A. .17%.

2 Q. So, you're asking the Board to pool the unleased  
3 parties listed on Exhibit B-3, is that right?

4 A. That's correct.

5 Q. And that Range be named operator for this unit?

6 A. Right.

7 Q. Now, as far as elections made pursuant to the  
8 order, where should those elections be made, to what address?

9 A. To Range Resources-Pine Mountain, Inc.,  
10 P. O. Box 2136, Abingdon, Virginia 24212.

11 Q. Is that for all correspondence regarding this  
12 unit?

13 A. Yes.

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

15 BUTCH LAMBERT: Any questions from the Board?

16 SHARON PIGEON: Mr. Horn, I believe you testified that  
17 you wanted to pool 3.52% and that's actually the acreage in the  
18 unit.

19 PHIL HORN: Oh, I'm sorry.

20 SHARON PIGEON: So, I believe the number there would be  
21 3.1233333, correct?

22 PHIL HORN: Yes. Yes.

23 TIM SCOTT: Thank you.

24 BUTCH LAMBERT: Any further questions from the Board?

25

1 (No audible response.)

2 BUTCH LAMBERT: You may continue, Mr. Scott.

3 TIM SCOTT: Thank you, Mr. Chairman.

4

5 GUS JANSEN

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

7 DIRECT EXAMINATION

8 QUESTIONS BY MR. SCOTT:

9 Q. Mr. Jansen, your name, by whom you're employed  
10 and your job description.

11 A. Gus Jansen, employed by Range Resources-Pine  
12 Mountain, Inc. as the manager of geology.

13 Q. Are you familiar with this application?

14 A. Yes, I am.

15 Q. And are you familiar with the projected depth  
16 of this well?

17 A. Yes. The proposed depth is 5,388 feet.

18 Q. And the estimated reserves?

19 A. 425 million cubic feet of gas.

20 Q. You're also familiar with the proposed well  
21 costs, is that correct?

22 A. I am.

23 Q. Okay. Did you participate in the preparation  
24 of the AFE?

25

1 A. Yes, I did.

2 Q. Okay. What's the estimated dry hole cost?

3 A. \$312,302.

4 Q. And the estimated completed well cost?

5 A. \$536,781.

6 Q. That's reflected on the AFE that was supplied  
7 with the application, is that right?

8 A. That is correct.

9 Q. Does the AFE include a reasonable charge for  
10 supervision?

11 A. Yes, it does.

12 Q. And in your opinion, if this application is  
13 granted, it would prevent waste, promote conservation and protect  
14 correlative rights, is that correct?

15 A. That is correct.

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

17 BUTCH LAMBERT: Any questions from the Board?

18 (No audible response.)

19 BUTCH LAMBERT: Anything further, Mr. Scott?

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

21 BUTCH LAMBERT: Do I have a motion?

22 MARY QUILLEN: Motion to approve.

23 BRUCE PRATHER: Second.

24 BUTCH LAMBERT: Motion and a second. Any further

25

1 discussion?

2 (No audible response.)

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

4 (All members signify by saying yes, but Donnie  
5 Ratliff.)

6 BUTCH LAMBERT: Opposed, no.

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

8 BUTCH LAMBERT: One abstention, Mr. Ratliff. Calling  
9 docket item thirty-five, a petition from Range Resources-Pine  
10 Mountain, Inc. for repooling of unit 900031, docket number  
11 VGOB-11-0315-2926-01. All parties wishing to testify, please  
12 come forward.

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

15 BUTCH LAMBERT: You may proceed, Mr. Scott.

16 TIM SCOTT: Thank you, Mr. Chairman.

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PHIL HORN

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

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DIRECT EXAMINATION

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1 QUESTIONS BY MR. SCOTT:

2 Q. Mr. Horn, your name, by whom you're employed and  
3 your job description.

4 A. My name is Phil Horn. I'm employed by Range  
5 Resources-Pine Mountain, Inc. as the manager of land.

6 Q. And this particular application is a repooling,  
7 is that right?

8 A. That's correct.

9 Q. And what's the...why are we repooling today?

10 A. We original pooled this well and pooled Tract  
11 2 and then we found out that the railroad owned some oil and gas  
12 going through the unit and we've contacted the railroad and mailed  
13 them a lease and we're here to pool them. They wouldn't lease.

14 Q. Okay. So, we don't have any parties to dismiss  
15 from this application today, is that correct?

16 A. That's correct.

17 Q. And what percentage does the unit...of the unit  
18 does Range have under lease?

19 A. 85.35%.

20 Q. And how was the notice of this hearing provided  
21 to the parties respondent listed on B-3?

22 A. By certified mail and also it was published in  
23 the Dickenson Star on August the 31st, 2011.

24 Q. Okay. Do we have any unknowns in this unit?  
25

1 A. Yes, we do.

2 Q. And you've provided the Director with a  
3 narrative setting out your efforts to locate these parties, is  
4 that correct?

5 A. Yes, we did.

6 Q. So, we've filed our proof of publication and  
7 mailing with the Board?

8 A. That's correct.

9 Q. So, in this particular case, we...we've  
10 added...is it CSX Railroad, is that right?

11 A. Yes, it is.

12 Q. Okay. Now, Range is authorized to conduct  
13 business in the Commonwealth, is that right?

14 A. That is correct.

15 Q. And there's a blanket bond on file?

16 A. That's correct.

17 Q. If you were to reach an agreement with the  
18 parties listed on Exhibit B-3 as to lease terms, what would those  
19 be?

20 A. \$30 per acre for a five year paid up lease that  
21 provides for a one-eighth royalty.

22 Q. Do you consider that to be reasonable  
23 compensation for a lease in this area?

24 A. Yes, I do.

25

1 Q. So, what percentage of the oil and gas estate  
2 is Range seeking to pool today?

3 A. 14.65%.

4 Q. And we have an escrow requirement, is that  
5 right?

6 A. That's correct.

7 Q. So, we've submitted an Exhibit E with our  
8 application?

9 A. Yes, we have.

10 Q. Please tell the Board which tract is subjected  
11 to escrow and what the percentage that we're seeking to place in  
12 escrow.

13 A. It's Tract 2. It would be 9.56%.

14 Q. Okay. Are you asking the Board to pool the  
15 unleased parties listed on Exhibit B-3?

16 A. Yes, we are.

17 Q. And that also Range be named as operator, is  
18 that correct?

19 A. That's correct.

20 Q. Now, if parties were made...were to make an  
21 election under any order that would be granted by the Board, what  
22 would be the address used for making such an election?

23 A. Range Resources-Pine Mountain, Inc., P. O. Box  
24 2136, Abingdon, Virginia 24212.

25

1 Q. And, again, this is for all communications?

2 A. Yes.

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

4 BUTCH LAMBERT: Any questions from the Board?

5 (No audible response.)

6 BUTCH LAMBERT: You may continue, Mr. Scott.

7 TIM SCOTT: Thank you, Mr. Chairman.

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9 GUS JANSEN

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

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. SCOTT:

13 Q. Mr. Jansen, your name, by whom you're employed  
14 and your job description.

15 A. My name is Gus Jansen. I'm employed by Range  
16 Resources-Pine Mountain, Inc. as the manager of geology.

17 Q. You're familiar with this application, are you  
18 not?

19 A. I am.

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

21 A. 4,437 feet.

22 Q. And you're also familiar with the reserves of  
23 this unit, is that right?

24 A. Yes, I am. The reserves would be 600 million  
25

1 cubic feet of gas.

2 Q. Also, what about the well costs?

3 A. I am familiar. The dry hole cost would be  
4 \$286,242 and the estimated completed well cost would be \$550,653.

5 Q. And you participated in the preparation of the  
6 AFE, is that correct?

7 A. That is correct.

8 Q. And there is a supervision cost on the AFE, is  
9 that right?

10 A. There is.

11 Q. And you consider that to be reasonable?

12 A. Yes.

13 Q. Okay. In your opinion, if the application is  
14 granted, would it promote conservation, prevent waste and protect  
15 correlative rights?

16 A. Yes.

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

18 BUTCH LAMBERT: Any questions from the Board?

19 (No audible response.)

20 BUTCH LAMBERT: Anything further, Mr. Scott?

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

22 BUTCH LAMBERT: Do I have a motion?

23 MARY QUILLEN: Motion to approve.

24 BRUCE PRATHER: Second.

25

1            BUTCH LAMBERT: Motion and a second. Any further  
2 discussion?

3            (No audible response.)

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

5            (All members signify by saying yes, but Donnie  
6 Ratliff.)

7            BUTCH LAMBERT: Opposed, no.

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

9            BUTCH LAMBERT: One abstention Mr. Ratliff. Calling  
10 docket item number forty-two, a petition from Range  
11 Resources-Pine Mountain, Inc. for a well location exception for  
12 proposed well V-530319, docket number VGOB-11-1018-2998. All  
13 parties wishing to testify, please come forward.

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

16            BUTCH LAMBERT: You may proceed, Mr. Scott.

17            TIM SCOTT: Thank you, Mr. Chairman.

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PHIL HORN

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

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DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

A. My name is Phil Horn. I'm the land manager for Range Resources-Pine Mountain, Inc.

Q. You're familiar with this application?

A. Yes, I am.

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

A. Yes, Range and Steinman own all of the minerals inside this unit.

Q. Okay. Who operates the wells from which the well location exception is sought today?

A. EQT Production Company and Range also owns an interest in these wells.

Q. Okay. How was notice of this hearing provided to the parties listed on Exhibit B?

A. By certified mail.

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

A. Yes, you have.

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

BUTCH LAMBERT: Any questions from the Board?

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(No audible response.)

BUTCH LAMBERT: You may continue, Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman.

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, you're name, by whom you're employed and your job description.

A. My name is Gus Jansen. I'm employed by Range Resources-Pine Mountain, Inc. as the manager of geology.

Q. You participated in the preparation of this application, is that correct?

A. That is correct.

Q. Please tell the Board why we're seeking a well location exception for this particular unit.

A. Again, if the Board would refer to Exhibit AA, you'll see the location of proposed well 530319. Again, this well unit is outlined in red with the green stippled area. Once again, this well has been positioned to maximize the recovery of the remaining natural gas resources stranded with the relationship to existing offsetting wells. There is no location available that meets the statewide spacing requirements. In the

1 event the well is not drilled, approximately 43.65 acres of  
2 reserves will be stranded.

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

4 A. 5,540 feet.

5 Q. And the potential loss of reserves if the  
6 application is not approved?

7 A. 450 million cubic feet of gas.

8 Q. Okay. If the application is approved, then it  
9 would prevent waste, is that correct?

10 A. That is correct.

11 Q. Promote conservation?

12 A. Yes.

13 Q. Protect correlative rights, is that correct?

14 A. That is correct.

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

16 BUTCH LAMBERT: Any questions from the Board?

17 (No audible response.)

18 BUTCH LAMBERT: Gus, how old is this topo map?

19 GUS JANSEN: That is the...the topo map itself.

20 BUTCH LAMBERT: Uh-huh.

21 GUS JANSEN: Those would be from the original USGS  
22 Flights around the 1950s, which were updated in the 1970s. These  
23 are the ones that I think that are basically available through  
24 the DMME website.

25

1           BUTCH LAMBERT: Okay. Looking at this one and being  
2 familiar with that area, there's some surface mining that's left  
3 off and not on this map. I just...did you pull this one from our  
4 system?

5           GUS JANSEN: Yeah. These are the USGS maps. You're  
6 talking about...I think there was a...in this general area there  
7 was some mining to the east.

8           BUTCH LAMBERT: There was.

9           GUS JANSEN: I think we're right on the edge of that  
10 permit that has maybe been released here recently or---

11          BUTCH LAMBERT: Yes.

12          GUS JANSEN: ---it's in bond release.

13          BUTCH LAMBERT: It's going through a bond release now,  
14 right. Okay, thank you. Any other questions from the Board?

15          (No audible response.)

16          BUTCH LAMBERT: Anything further, Mr. Scott?

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

18          BUTCH LAMBERT: Do I have a motion?

19          MARY QUILLEN: Motion to approve.

20          BRUCE PRATHER: Second.

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

23          (No audible response.)

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

25

1 (All members signify by saying yes, but Donnie  
2 Ratliff.)

3 BUTCH LAMBERT: Opposed, no.

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

5 BUTCH LAMBERT: One abstention Mr. Ratliff. Thank you,  
6 Mr. Scott. It's approved. Calling docket item number  
7 forty-three, a petition from Range Resources-Pine Mountain, Inc.  
8 for a well location exception modification for proposed well  
9 821789, docket number VGOB-11-0517-2951-01. All parties  
10 wishing to testify, please come forward.

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

13 BUTCH LAMBERT: You may proceed, Mr. Scott.

14 TIM SCOTT: Thank you, Mr. Chairman.

15

16 PHIL HORN

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

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SCOTT:

20 Q. Mr. Horn, one more time, your name, by whom  
21 you're employed and your job description.

22 A. Phil Horn. I'm the land manager for Range  
23 Resources-Pine Mountain, Inc.

24 Q. And you're familiar with this application, is

25

1 that right?

2 A. Yes, I am.

3 Q. This had be previously approved in May, is that  
4 right?

5 A. That's correct.

6 Q. Why did we file a new application?

7 A. The coal lessee after they approved the well we  
8 came and a had a hearing and after we applied for permit they  
9 objected to the permit and we moved this well to a place that they  
10 supposedly approved again.

11 Q. Okay. Are you familiar with the ownership of  
12 the minerals underlying this unit?

13 A. Yes, I am.

14 Q. And those owners are set out on Exhibit B?

15 A. Yes, they are.

16 Q. Who operates well number 821732?

17 A. Range Resources-Pine Mountain, Inc.

18 Q. And how was notice of this hearing provided  
19 today?

20 A. By certified mail.

21 Q. And we've provided proof of mailings with the  
22 Board, is that correct?

23 A. Yes, you have.

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

25



1 natural gas resources with the relationship to the existing  
2 offsetting wells and the coal mining operations. In the event  
3 the well is not drilled, approximately 105.91 acres of resources  
4 would be stranded.

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

6 A. 5,885 feet.

7 Q. And the potential loss of reserves?

8 A. 350 million cubic feet of gas.

9 Q. And in your opinion, if this application is  
10 granted, it would prevent waste, protect correlative rights and  
11 promote conservation, is that correct?

12 A. That is correct.

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

14 BUTCH LAMBERT: Gus, on Exhibit A that area that's kind  
15 of shaded and has been filled in is that the accurate surface mine  
16 up there?

17 GUS JANSEN: There is nothing active at this time in this  
18 area. The reason that we've repositioned the well was the ridge  
19 line...if you see the well 825903 that ridge line that runs along  
20 that area to the south was the area that Wellmore was considering  
21 for a surface mine job in the future. They have not applied for  
22 an application at this time. But we worked with them to try to  
23 move this well down off the side of that edge of their surface  
24 mining area to be a little more out of their way.

25

1            BUTCH LAMBERT: So, that's their proposed surface mine?

2            GUS JANSEN: Right.

3            BUTCH LAMBERT: The shaded---.

4            GUS JANSEN: No, they have not even---.

5            PHIL HORN: They haven't applied for it.

6            GUS JANSEN: They haven't even applied for a permit or  
7 even generally outlined the area. It was just generally outlined  
8 to us with the proposed evaluation. Those...that's just an  
9 existing road coming down that ridge that you see there.

10           BUTCH LAMBERT: Oh, okay. Their surface mine is  
11 further to the northeast there?

12           GUS JANSEN: Right. Yeah, it's sort of a point removal  
13 type of activity that they're looking at. So, they wanted us down  
14 as far below the lowest seam that they had planned to target in  
15 their mine.

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

18           (No audible response.)

19           BUTCH LAMBERT: Anything further, Mr. Scott?

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

21           BUTCH LAMBERT: Do I have a motion?

22           MARY QUILLEN: Motion to approve.

23           BRUCE PRATHER: Second.

24           BUTCH LAMBERT: I have a motion and a second. Any  
25

1 further discussion?

2 (No audible response.)

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

4 (All members signify by saying yes, but Donnie  
5 Ratliff.)

6 BUTCH LAMBERT: Opposed, no.

7 (No audible response.)

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

9 DONNIE RATLIFF: I'll abstain.

10 BUTCH LAMBERT: One abstention, Mr. Ratliff. Docket  
11 item number forty-four, the Board will receive an update of the  
12 Board and Division activities from the staff.

13 RICK COOPER: I don't think we need to add anything  
14 further than what we had initially.

15 BUTCH LAMBERT: Okay.

16 SHARON PIGEON: You were number two.

17 BUTCH LAMBERT: So, you actually did that in a number  
18 earlier. Thank you.

19 RICK COOPER: That's correct.

20 BUTCH LAMBERT: I wanted to get that...your statements  
21 on the record while all the companies were present. Thank you.  
22 I appreciate that. Docket item number forty-five, the Board will  
23 review the August and September minutes for approval. Well, I  
24 guess...did we not do September?

25

1           DIANE DAVIS: All we did on September...yeah, I mailed  
2 them out. You should have gotten a copy.

3           BUTCH LAMBERT: Okay.

4           DIANE DAVIS: All we did was the bank part.

5           BUTCH LAMBERT: Yeah, we didn't...we didn't do that.

6           DIANE DAVIS: All we did was that little bank part.

7           BRUCE PRATHER: We had the bank in September.

8           DIANE DAVIS: Huh?

9           BRUCE PRATHER: We had the bank.

10          RICK COOPER: The bank.

11          DIANE DAVIS: The bank. That's all we did in September.

12          BUTCH LAMBERT: That's all we did.

13          DIANE DAVIS: Yes, sir.

14          BUTCH LAMBERT: That's all we did. So, is there any  
15 additions or corrections to the minutes of the August meeting and  
16 everyone has a chance to review the business that was conducted  
17 on the September meeting? Is there anything further to add?

18                   (No audible response.)

19          BUTCH LAMBERT: Do I have a motion to approve?

20          MARY QUILLEN: Motion to approve.

21          BRUCE PRATHER: Second.

22          BUTCH LAMBERT: I have a motion and a second. All in  
23 favor, signify by saying yes.

24                   (All members signify by saying yes.)

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BUTCH LAMBERT: Opposed, no.

(No audible response.)

BUTCH LAMBERT: Thank you, ladies and gentlemen. This hearing is adjourned.

1 STATE OF VIRGINIA,  
2 COUNTY OF TAZEWELL, to-wit:

3 I, Sonya Michelle Brown, Court Reporter and Notary  
4 Public for the State of Virginia, do hereby certify that the  
5 foregoing hearing was recorded by me on a tape recording  
6 machine and later transcribed under my supervision.

7 Given under my hand and seal on this the 11th day  
8 of October, 2011.

9

10 \_\_\_\_\_ NOTARY PUBLIC

11

12 My commission expires: August 31, 2013.  
13 My Notary Registration No.: 186661

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