

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

IN THE COUNTY OF RUSSELL

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

DECEMBER 20, 2011

APPEARANCES:

**BOARD MEMBERS:**

MARY QUILLEN - PUBLIC MEMBER  
BILL HARRIS - PUBLIC MEMBER  
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 AND JIM LOVETT - STAFF MEMBERS OF THE DGO  
SHARON PIGEON - SR. ASSISTANT ATTORNEY GENERAL

MICHELLE STREET  
COURT REPORTING, LLC  
P. O. BOX 1325  
GRUNDY, VIRGINIA 24614  
(276) 971-2757

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

INDEX

<u>AGENDA AND DOCKET NUMBERS:</u>	<u>UNIT</u>	<u>PAGE</u>
1) Public member Comments		4
2) VGOB-11-0816-2986		13
3) VGOB-11-1115-3001	075ACV	60
4) VGOB-11-1220-3008	C-33	62
5) VGOB-11-1220-3009	G-45	68
6) VGOB-11-1220-3010	AA-55	73
7) VGOB-11-1220-3011	TA-87	79
8) VGOB-11-1220-3012	BH-115	88
9) VGOB-11-1220-3013	ZZZ-33	94
10) VGOB-11-1220-3014	U6ASH	CONT.
1) VGOB-11-1220-3015	V-530323	102
12) VGOB-11-1220-3016	V-530326	106
13) VGOB-11-1220-3017	V-530327	110
14) VGOB-11-1220-3018	V-530329	114
15) VGOB-11-1220-3019	V-530330	118
16) VGOB-11-1220-3020	V-530331	123
17) VGOB-11-1220-3021	V-530245	127
18) VGOB-11-1220-3022	V-530324	132
19) Update from the Board and Division		None
20) Approve November 2011 minutes		137

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

BUTCH LAMBERT: Again, good morning, ladies and gentlemen. It's now 9:00 o'clock and it's time to begin our proceedings. I'd like to remind you that if you have any personal communication devices, cell phones or pagers, please turn those off or set them on vibrate. If you must take a call, please do that outside. These hearings are being recorded and we need to be able to...our recorder needs to be able to hear what is being said. At this time, I'd like to ask the Board to please introduce themselves and I'll begin with Ms. Dye.

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

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

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

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

ALLEN COMPTON: Allen Compton, Dickenson County.

MARY QUILLEN: Mary Quillen, a public member.

BUTCH LAMBERT: Okay, thank you. Let the record note that we do have a quorum. At this time, we'll enter into public comment period. On my first sign in is Lonnie

1 Brown. Good morning, Mr. Brown. Would you state your name  
2 for the record, please?

3 LONNIE BROWN: Lonnie Brown. I'm from Buchanan  
4 County, Virginia.

5 BUTCH LAMBERT: Go ahead.

6 LONNIE BROWN: Okay. I'm here today. I've had an  
7 agreement with Harrison-Wyatt, LLC I guess what the Board  
8 would say a split agreement since 2009...March of 2009.  
9 I've yet to hear anything or get any funds disbursed from  
10 the escrow account. I do have the split agreement with me.  
11 There have been some attempts on my part as early as this  
12 month to try to get up with CNX. The first one was on the  
13 9th and the next one of this month, 12th and the 9th. I  
14 called CNX with no response. The other one was the 13th with  
15 no response. I also have a letter as of January the 7th,  
16 2010, the lawyer that...the firm that did represent Mr.  
17 Harrison-Wyatt was Tom Pruitt. He did send a letter stating  
18 that...asking for the release of these funds. He was asking  
19 for a petition from CNX. I do have this information with  
20 me if the Board members would like to see it.

21 BUTCH LAMBERT: We appreciate that, Mr. Brown. We  
22 don't really need to see that. What I would like to ask you  
23 to do, if you will set up a meeting with our director at this  
24 time, Rick Cooper. If you will come in and set down with

25

1 Mr. Cooper, we'll see if he can't help you take care of your  
2 issues.

3 LONNIE BROWN: Okay. I appreciate the Board's help  
4 in this matter.

5 BUTCH LAMBERT: Okay.

6 LONNIE BROWN: Thank you.

7 BUTCH LAMBERT: Thank you, Mr. Brown. Rick, can  
8 you turn those off or down? I mean, they're killing us up  
9 here. Our next speaker would be Martha Gwilliams.

10 MARTHA GWILLIAMS: I told the other gentleman to go  
11 ahead of me.

12 BUTCH LAMBERT: Ms. Gwilliams, would you state your  
13 name for the record, please?

14 MARTHA GWILLIAMS: Yes. Martha Gwilliams, Heir to  
15 the Linkous Horn Estate, Salem, Virginia. My comment is  
16 that this is about this horizontal drilling. I don't think  
17 it's a fair thing. I would like to object to any form of  
18 a permit being given to any of the energy companies. I  
19 personally have shares in a property on Red Root Ridge that  
20 the energy company doesn't want to fool with it because  
21 there's like fifty-four heirs on the list. So, we had big  
22 issue about this last summer. I told them exactly where to  
23 find all of their unlocateables and that's where they found  
24 them. So...but there's so many people that they don't want

25

1 to fool with it. So, I don't feel that it would be fair that  
2 they would be granted a horizontal drill permit just to go  
3 under the property because they don't want to...they don't  
4 even want to pursue a drill permit to drill on the surface.  
5 I have talked with a couple of the Senators and a couple of  
6 the delegates and they also say that there has been no  
7 legislation that they know about passed at the General  
8 Assembly that would give anybody or even the Board the  
9 authority to grant this permit. Senator John Edwards is one  
10 of them. Delegate Clarence Phillips. I don't know if you  
11 know (inaudible). He's pretty new. He took more of  
12 (inaudible) when Morgan relieved the guy over in Abingdon.  
13 He's not really familiar with it. He doesn't seem to be able  
14 to find anything that has led to any authority. But I very  
15 strongly object to this. I just want it to be known. I  
16 don't know what's going to happen. But I do not think it's  
17 fair. They told me they had no idea how to...I can get them  
18 names, addresses, phone numbers of whoever they want.  
19 They're all Smiths and Sheltons, a few Shorts and Davis. I  
20 have even had calls from Consol concerning this. When Mr.  
21 Fultner found out who I was, he hung up the phone on me.  
22 That's all I have to say. I just wanted it noted that I am  
23 making a very strong objection to this.

24 BUTCH LAMBERT: Ms. Gwilliams, I have a question

25

1 from a Board member.

2 ALLEN COMPTON: How much...how much property do you  
3 have that you're talking about?

4 MARTHA GWILLIAMS: Oh, there's probably...it's  
5 in...it's in like three parts. There's a ten acre...a  
6 twelve acre plot and there's an eight acre plot and then  
7 there's like a two...there...I'm sure there is gas being  
8 pulled from this property now. We're also a part of the  
9 Linkous Horn Estate, which this is a whole separate issue  
10 from that. This was on my Smith side of the family.

11 ALLEN COMPTON: How close are they drilling to your  
12 property?

13 MARTHA GWILLIAMS: I'm sure they're pulling gas  
14 from my property. There's one that we own right on  
15 the...almost on the border where it borders the Pruitt  
16 property that I'm pretty sure they're pulling gas from it  
17 now. But there's nothing that I can do about it because  
18 there's no well site on the surface.

19 ALLEN COMPTON: Did they ask you if you would let  
20 them put a location on your property?

21 MARTHA GWILLIAMS: No, sir. I found these wells  
22 myself. I called Ms. Duty. She told me unless I could give  
23 her the numbers and all that. So, we go back and we get the  
24 numbers. We take pictures and everything else. She said,

25

1 yeah, that's where they located it. She said, well, there's  
2 no...there's no well actually on your property. I said,  
3 well, you're pulling gas. She said, yeah, but that's part  
4 of the 80 acre drill field. But she said there's...they're  
5 not responsible for, you know, given us details or paying  
6 us or anything. Then she told me that the people that were  
7 in the unlocateable who some guys I don't really know...I  
8 think he's in Dickenson County now. He's no longer with  
9 Tazewell County. Scott Hodges, you guys probably know him.  
10 He was...you know, we were communicating about this and then  
11 he just decided that there was just too many people to fool  
12 with. So, they just put it all in the unlocateables and  
13 filed it away. I'm not angry. I just think that it should  
14 be looked at properly and before this horizontal drill  
15 permit is given I think that we should at least...they should  
16 at least try to go to these people especially if they're  
17 going to be drilling conventional wells. There should be  
18 no argument about that. That's all I have to say.

19 BUTCH LAMBERT: Thank you, Ms. Gwilliams.

20 MARTHA GWILLIAMS: Thank you. Thank you, Mr.  
21 Chairman and thank you to the Board members.

22 BUTCH LAMBERT: Mitchell Counts. Good morning,  
23 Mr. Counts. Please state your name for the record.

24 MITCHELL COUNTS: My name is Mitchell Counts. I'm  
25

1 a land owner in Buchanan County. I have money in escrow with  
2 CNX Gas and Hurt McGuire. Hurt McGuire...I've come up with  
3 all of the proofs, deed searches and everything to prove that  
4 the gas is mine and it is. Hurt McGuire wants to say  
5 that...when CNX extracted the gas they disrupted the coal  
6 seams and I'm sure that you all have seen this on other  
7 places...on other deeds. I'm sure Hurt McGuire has had this  
8 same problem with a lot of other land owners. I can't be  
9 the first one to have gotten this far. It looks...I'm in  
10 the same place that I've always been in. There's plenty of  
11 lawyers that will take this that guarantee my  
12 money...guarantee a 100% if I give them one-third of it. I  
13 don't think that the system should be set up that way. I  
14 think that a common man...I don't have much education, but  
15 I listen and I can do common things. I think the state  
16 should be helping the land owner and the common man get his  
17 money out of escrow. I've sat here...this is probably the  
18 tenth time. It's kind of discouraging. Merry Christmas.

19 BUTCH LAMBERT: Jerry Grantham. Please state your  
20 name for the record.

21 JERRY GRANTHAM: Jerry Grantham. I'm with Range  
22 Resources. Thank you, Mr. Chairman and the Board. I  
23 appreciate the opportunity to speak today. What I would  
24 like to do is address some issues that were brought up in

25

1 the public comment section of the hearing in October related  
2 to horizontal drilling and the wells that we've drilled here  
3 in Virginia. First off, I'm here to tell you that  
4 horizontal wells are economic. They're very economic here  
5 in Virginia. I think that I can attest to that because Range  
6 has been the leader in that area. We have now drilled  
7 sixty-one wells horizontally in either the Huron shale,  
8 Berea Sandstone or Big Lime in Virginia since 2007. The  
9 industry as a whole has drilled over ninety-three wells  
10 horizontally in those same formations. The plans for 2012,  
11 and I can certainly speak for Range, we've just sort of  
12 finished our budget process, is that we will probably drill  
13 between fifteen and twenty horizontals. I'm hearing from  
14 the industry standpoint that probably will be close to  
15 thirty more horizontals being drilled in 2012. So, to be  
16 quite blunt, after drilling sixty horizontals in the state  
17 over almost...a little over four year period, I can tell that  
18 if those wells were not economic that Range's management  
19 certainly wouldn't be very happy with me as the manager of  
20 the southern Appalachian division. What we're doing here  
21 in Virginia, and to be quite honest I probably wouldn't be  
22 sitting here today talking to you and giving you this  
23 information, we evaluate every horizontal well we drill from  
24 an economic standpoint. We run economics on those wells.

25

1 Even in this lower gas price environment, those wells are  
2 economic. We have been very good at finding efficiencies  
3 in drilling horizontal wells. We've become better at it  
4 over time. We've drilled them on air, which is unusual.  
5 Most areas they are drilled on fluid. But we have become  
6 more efficient. We drilled them quicker and we drill longer  
7 laterals now than we used to. So, everything is pointing  
8 to better economics and better return on the investment.  
9 Not only are the wells economic for us as the operator, but  
10 they clearly have a large economic impact on the locals and  
11 the areas that they're being drilled in. I ran basic  
12 numbers and basic economics and at an average gas price of  
13 four dollars, one horizontal well will pay over half a  
14 million dollars in royalty over its lifetime and a hundred  
15 and fifty thousand dollars in severance tax. Now, that's  
16 huge. If you add that up, I mean, just in the wells that  
17 we've drilled to date now, the sixty-one wells, that's over  
18 thirty million dollars in royalty that's going back into the  
19 local economies and ten million dollars in severance tax.  
20 So, horizontals are just a great asset not only to us as  
21 operators, but to the locals and the people who are receiving  
22 the royalty from them. Those economics don't include all  
23 the other aspects of horizontal drilling that benefit  
24 property taxes that we have on the wells. The economy that

25

1 they create in the locals...the two companies that are doing  
2 all of the horizontal drilling in Virginia are Highlands  
3 Drilling out of Clintwood and Noah Horn Well Drilling out  
4 of Vansant. So, all of that work is being supported  
5 locally. Each of those companies probably employ between  
6 a hundred and fifty and two hundred people. So, they're big  
7 employers. There's a huge trickle down economy that, I  
8 think, benefits everybody involved. As you know, one of the  
9 Board's responsibilities, and I'm going to read this as a  
10 quote, is "Foster, encourage and promote the safe and  
11 efficient exploration and development production and  
12 conservation of the gas and oil resource located in the  
13 Commonwealth." As an explorationist and someone who has  
14 been involved in the industry for thirty years, I can't  
15 imagine a technology that meets that criteria any better  
16 than horizontal drilling. We have less impact on the  
17 surface and we extract more of the resource with the  
18 efficiencies that it provides. As you know, the nature gas  
19 industry has been working under provisional units now here  
20 in Virginia for over four years. Clearly, I believe by our  
21 efforts and what we've done and the wells that...the ninety  
22 some wells that we've drilled and the plans that we have in  
23 the future, horizontal drilling is here to stay in Virginia.  
24 It's an important tool for our industry. One of those tools

25

1 in our toolbox that we use to get gas out of the ground. I  
2 believe it will be around for years and years to come. I  
3 encourage the Board to consider the proposal that will be  
4 presented later today to establish the field rules for  
5 horizontal drilling units in Southwest Virginia and believe  
6 that it's a very good proposal and encourage you to listen  
7 to it and hopefully approve it. Thank you.

8 BUTCH LAMBERT: Tim Worley.

9 TIM WORLEY: I have nothing.

10 BUTCH LAMBERT: No comment? Thank you. At this  
11 time, we'll call docket item number two. The Board on its  
12 own motion, will consider a proposal from the Horizontal  
13 Drilling Committee established by the Board for an order  
14 establishing field rules for horizontal drilling in  
15 Southwest Virginia. This is docket number  
16 VGOB-11-0816-2986. All parties wishing to testify, please  
17 come forward. I think what we will do...let me just ask,  
18 how many from the public plan on testifying? Anybody?  
19 Okay, then we'll hear from the Board or from the committee,  
20 I'm sorry. I know that the Board Member Prather was kind  
21 of the Chairman and the lead of that group. Unfortunately,  
22 he couldn't be here today because his...I think one of his  
23 daughter having some serious surgery. So, who is going to  
24 speak for the committee? We'll take---

25

1           JIM KAISER: I'll sort of lead the discussion and  
2 then Mr. Jansen is...we're going to kind of go through a  
3 question and answer session and then throw the floor open  
4 to questions from the Board. I don't know if you want  
5 to...maybe the way that we need to start is to maybe read  
6 Mr. Prather's letter that he sent to the Board.

7           BUTCH LAMBERT: I was going to wait until we receive  
8 the testimony from the committee and then introduce that as  
9 we---.

10           JIM KAISER: That's fine. That's fine too. Mr.  
11 Chairman and members of the Board, my name is Jim Kaiser.  
12 As a member of the---

13           DIANE DAVIS: Should he be sworn in?

14           BUTCH LAMBERT: Yes. We need to swear these folks  
15 in.

16           (Witnesses are duly sworn.)

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

18           JIM KAISER: I've been asked to lead the discussion  
19 and present testimony and evidence for establishing the  
20 Southwest Virginia horizontal drilling pool and field rules  
21 for that pool that we have identified as the Southwest  
22 Virginia Horizontal-1 Horizontal Pool. I'm accompanied by  
23 many of the committee members today, Gus Jansen, Becky  
24 Heflin, Ian Lucas and Jim Lovett who worked with us with the

25

1 DGO. Our Board represents were Mr. Prather and Mary  
2 Quillen, who they both attended all of the committee  
3 meetings were a great asset in formulating this plan for a  
4 horizontal field rule. I would like to start with---

5 BUTCH LAMBERT: Was that...Mr. Kaiser, was that all  
6 of the members? I think there was a couple of public members  
7 on the committee as well.

8 JIM KAISER: Yes. There are some public members  
9 that aren't here. They were Catherine Jewell and Dennis  
10 Willis.

11 BUTCH LAMBERT: All right. Thank you.

12 JIM KAISER: I believe that has got everybody.  
13 We'll start with Mr. Jansen to kind of lead off the  
14 discussion. Like I said, we'll go through maybe a ten or  
15 fifteen question and answer presentation and then throw the  
16 floor open for questions from the Board and/or from the  
17 public, I guess.

18

19

20

21

GUS JANSEN

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

24

DIRECT EXAMINATION

25

1 QUESTIONS BY MR. KAISER:

2 Q. Mr. Jansen, was a special working committee  
3 established by the Virginia Gas and Oil Board to evaluate  
4 the horizontal pooling unitization options?

5 A. Yes, it was.

6 Q. And when was that committee established?

7 A. It was established through the February the  
8 15th, 2011 Virginia Gas and Oil Board hearing.

9 Q. And who has asked to be named...who was  
10 named Chairman of that committee?

11 A. Bruce Prather.

12 Q. And is Mr. Prather a member of the Virginia  
13 Gas and Oil Board?

14 A. Yes, he is.

15 Q. Now, did this working committee include  
16 representatives from the industry and also from the public,  
17 along with technical advisors from the industry, the public  
18 and regulatory agencies?

19 A. Yes, it did. We've stated the names of  
20 those individuals today.

21 Q. Now, how is this matter being brought in  
22 front of the Board?

23 A. On the Board's own motion.

24 Q. And did the working committee present an  
25

1 informational presentation to the Virginia Gas and Oil Board  
2 summarizing the committees findings and recommendations?

3 A. Yes, at the April...the August the 16th,  
4 2011 hearing a presentation was made through the process and  
5 the recommendation of the committee at that time.

6 Q. And at that initial presentation  
7 subsequently and subsequently were there questions from the  
8 Board and the DGO staff that have been considered by the  
9 committee?

10 A. Yes, there has. The committee has gone  
11 through many of those recommendations. We've made  
12 modifications to and clarifications to the proposal that the  
13 Board has today. All of those cases, those changes have  
14 been more restricted than the original proposal.

15 Q. And could you briefly describe the key  
16 elements of the proposal?

17 A. Yes. I'm going to hand out...I wasn't sure  
18 if the Board got this part of the proposal. This is the  
19 final draft yesterday. It has the references and figures  
20 that were originally a part of the information that was  
21 provided in August. What I would to do is just sort of give  
22 a brief summary of what was presented in August and that's  
23 on the key points that have been identified as we've gone  
24 through this process in the opinion of the committee that

25

1 are important for the Board to consider. The Board has the  
2 draft document that can be formulated in a Board order. At  
3 that point in time, if there's any questions on anything then  
4 they will take questions from that. We'll sort of hit those  
5 highlights without...I don't need to read the whole thing.  
6 The Board has had that and has been through that several  
7 times. But just to touch on some of the keys points.  
8 First, I would just like to describe the pool area what we're  
9 actually considering for the horizontal drilling today in  
10 Virginia. That is represented on figure one, which I've  
11 handed out to the Board. The area in yellow is the only area  
12 that the...the proposal that is in front the Board today that  
13 it would be applicable to. It includes the areas in  
14 Southwest Virginia that are basically currently and  
15 historically have been producing in the past in the state.  
16 The second part that I would like to touch on again was on  
17 the grid concept that the committee came up with to address  
18 horizontal drilling. The...sort of an overview of the  
19 concept, we were looking at a concept that could be applied  
20 statewide and not just in this original pool that we're  
21 talking about today. So, we wanted to come up with a  
22 gridding system that could be applied in the future as other  
23 pools are developed elsewhere in the state or in other areas  
24 that need to address horizontal drilling if that need arises

25

1 for the Board. So, we wanted something that was consistent  
2 and systematic that would be in place going forward to where  
3 we wouldn't have to reinvent this every time going forward.  
4 We wanted something that would be consistent throughout the  
5 state. So, in figure two you will see the major drilling  
6 grid base areas. These large grid areas were developed to  
7 help facilitate having a naming convention so that you have  
8 an ideal of where you were looking at the state. We're  
9 really only focused on areas A and B today with the gridding  
10 process that we have done. But you can see, we've laid this  
11 out so it we be able to incorporate the entire state going  
12 forward. I just wanted to be clear that there are sort of  
13 two concepts there. We're only ever drilling with the  
14 pooled areas in Southwest Virginia, but at the same time we  
15 developed a system that could be carried forward in this  
16 gridding system. The table that's attached to that  
17 basically just gives you the descriptions of the...each of  
18 those grids so that any mapping system that anybody wanted  
19 to use going forward would do that. We've got this mapping  
20 system. It has been made available to the DGO and we'll be  
21 able to provide it to any operator who wants to use that base  
22 information so that everybody is using the same consistent  
23 information going forward. The second part of the  
24 horizontal unit development process is based on the drainage

25

1 area that the gas operators have...and this committee have  
2 sort of came up with to define that. So, you use each of  
3 those individual grids...the twenty acre grids that we've  
4 laid out that we've over at the August hearing. Each of  
5 those twenty acre grids would be put together based on the  
6 base drainage area. That's sort of a new concept that we've  
7 talked about based on the reservoir characteristics of a  
8 variety of formulations in the area. So, you end up having  
9 the horizontal lateral in simplistic terms. You will have  
10 a three hundred foot offset around that, which will  
11 basically define the drainage area and then any of those  
12 twenty acre grids that would fall within that base drainage  
13 area would form a unit. So, then we've also developed a  
14 way to name all of those units going forward so they can be  
15 tracked by the DGO. All of that is part of that base  
16 gridding system. What that allows is it allows for a  
17 multiple of configurations of the unit based on the gridding  
18 system and that allows so there is no stranded acreage as  
19 you put these together as development continues and is down  
20 spaced or is spaced out you have a methodology. Similar to  
21 the same CBM system that we have in place now. There is no  
22 gaps anywhere. As you develop the field you would have all  
23 of that taken care of.

24 BUTCH LAMBERT: Well, Gus, can we...can I interrupt

25

1 you just a second? I know we're going to get really deep  
2 into this. So, that we can keep our questions in our  
3 minds---?

4 GUS JANSEN: That's fine.

5 BUTCH LAMBERT: ---is it okay if we ask questions  
6 as we go along?

7 GUS JANSEN: Right. And I'll try to answer them or  
8 somebody from the committee can try to answer those.

9 BUTCH LAMBERT: Yeah. I'm trying to write  
10 questions down, but I...I don't know if I'm going to get  
11 them...keep them all at the end or not. Mr. Harris.

12 BILL HARRIS: Let me just ask a quick question. I  
13 just wanted to make sure about this twenty acre grid. This  
14 was already laid out on paper and not physically on the  
15 ground.

16 GUS JANSEN: Right.

17 BILL HARRIS: So, the grid is present before the  
18 horizontal legs or the laterals are drilled. So, once  
19 they're drilled, then based on the definition of how far out  
20 we go and which ones they encompass, they're going to contact  
21 or encompass certain twenty acre grids. So, you're going  
22 to have this pattern of twenty acre grids.

23 GUS JANSEN: Correct.

24 BILL HARRIS: But the pattern is already there.

25

1 It's just which ones are you going to intercept or use once  
2 you drill the lateral. So, it's not we drill the lateral  
3 and then we build twenty acre grids around that. Is  
4 that---?

5 GUS JANSEN: Right. Conceptually the way it will  
6 work through a permitting process is...in the permitting  
7 process, you will plan a lateral on a specific orientation  
8 at a specific land and you will develop your unit up front  
9 before you even drill the well. Now, there was a question,  
10 and we can jump to that question that I was going to address  
11 later, there could be an instance where technically a well  
12 was not drilled to the full length of your lateral. We made  
13 provisions in that case that through a permit modification  
14 process you could come and change that unit to reflect what  
15 was actually drilled from that standpoint. We've got  
16 criteria there that define when you would have to do that  
17 and when you would not. In simplistic terms, if your  
18 lateral length required a twenty acre grid to be left off  
19 because you didn't reach that length, then that would  
20 trigger the modification process. If there was...if you  
21 were just a few feet short, there would be no point if the  
22 unit did not materially change there would be no point to  
23 do a modification. It would still have the same unit. That  
24 language is in the---

25

1           JIM KAISER: It's in 7K of the application. Right.

2           BILL HARRIS: 7K? Okay. Thank you.

3           MARY QUILLEN: Mr. Chairman, I have just one  
4 question.

5           BUTCH LAMBERT: Ms. Quillen.

6           MARY QUILLEN: Now, we did have in the process when  
7 we were meeting and in followup Board meetings we had some  
8 drafts of how those twenty acre grids could be set up, some  
9 models. I'm not sure if Mr. Harris wasn't here, but maybe  
10 if some of those were shared with him it would have a better  
11 ideal of---

12           GUS JANSEN: Yeah, I wasn't exactly sure what  
13 information had been passed on to the Board from each of  
14 those previous meetings.

15           MARY QUILLEN: Right. Well, he might not have been  
16 here at that meeting when...when we had those. But they  
17 were different configurations and different models of how  
18 the draft...the draft of how these wells would look once they  
19 were...the configuration for whatever the length of the leg  
20 was.

21           BUTCH LAMBERT: Any other questions?

22           MARY QUILLEN: Unh-huh. Thank you.

23           GUS JANSEN: So, that generally is the process.  
24 Through the permitting process, we would establish a unit

25

1 and then make a modification to it if you would need to. I  
2 just wanted to touch on a few of the key field rules that  
3 were outlined in the document in front of you today.  
4 They're very similar to what you've heard over the past four  
5 years that we've been requesting on provisional units. One  
6 is the surface location may be outside of the drilling unit  
7 similar to what we have now on 320 acre concept. Again, that  
8 is based on issues that may arise from topography and those  
9 type of things where you cannot actually get your physical  
10 location inside the unit. Technology just associated with  
11 the horizontal drilling itself that you may not be able to  
12 produce right all the way up to the surface location. We've  
13 also had a 600 foot horizontally from the existing vertical  
14 wells producing from the same formation or a coalbed. We  
15 are addressing both the coalbed and additional gas  
16 formations with this process. We also have a 600 foot  
17 vertical offset from any other horizontal laterals if the  
18 gas differs and dictates that that would need to be in place  
19 to protect the correlative rights there of any multiple  
20 owners vertically in a formation. I don't think that  
21 situation occurs, but that was sort of looking forward to  
22 something that may occur in the future. We also have a three  
23 foot set back which would be in place along the perimeter  
24 of the pooled area outlined in figure one, which would also

25

1 protect correlative rights of owners not included within the  
2 scope of this proposal. So, if any horizontal drilling was  
3 proposed in the future outside this perimeter, we sort of  
4 had areas butting against here. We do have a provision in  
5 there to protect those people. We also have provisions that  
6 address circumstances with the proposed drilling lateral  
7 length that was not achieved through the permit modification  
8 process, which I've already talked about. There are  
9 several requirements included in there that address some  
10 issues...some items that the DGO staff would like to see on  
11 their plats that aren't specifically spelled out in the  
12 current regulations addressing horizontals specifically.  
13 Those things include the horizontal lateral components such  
14 as the landing point, the production area, the orientation  
15 of the well and the offsetting well location so that there's  
16 no question of where they're at. The naming convention will  
17 be dictated by the DGO. The mapping and the final plat  
18 requirements that are requested by the DGO staff are also  
19 incorporated into those field rules. The one thing that's  
20 sort of different from what we've done provisionally is that  
21 at this point going forward each horizontal lateral will  
22 have its own associated drilling unit. Whereas before, we  
23 could have the situation we could drill multiple laterals  
24 inside one unit. Going forward, each one would be

1 formed...each individual well would have its own associated  
2 unit. So, it would be one well and one unit, which I think  
3 that will help clarify things. I think that was  
4 something... the staff also was in there. That's most of  
5 the information that was provided in the document in front  
6 of you. You've seen that today. If you have anymore  
7 questions, we can answer those and we can continue to move  
8 forward.

9  
10 GUS JANSEN

11 DIRECT EXAMINATION RESUMES

12 QUESTIONS BY MR. KAISER:

13 Q. Mr. Jansen, in your professional opinion,  
14 would the adoption of this field rule promote the efficient  
15 recovery of gas in the Commonwealth, prevent the waste of  
16 gas and prevent the drilling of unnecessary wells?

17 A. Yes. I think the horizontal drilling will  
18 allow the recovery of gas resources not always obtainable  
19 via vertical drilling methods. Examples would include  
20 resources stranded by topographic constraints, cultural  
21 population areas and areas impacted by abandoned or active  
22 coal mining operations. Horizontal drilling will allow the  
23 economic recovery of gas resources such as the Lower Huron  
24 shale for a single coal horizon that may not be associated

1 with an historical stack pay development that we are  
2 concurrently using out there today. So, again, this helps  
3 to maximize the resource recovery.

4 Q. And is it your opinion...professional  
5 opinion, that the adoption of this field rule as its proposed  
6 will protect correlative rights?

7 A. Yes. I think the horizontal unit proposal  
8 will provide for a share of the gas resource based on the  
9 amount of the land owned by each mineral owner in the unit.  
10 The same method currently employed by all of the units formed  
11 in the state of Virginia. For example, CBM units and the  
12 statewide circular units. The proposal provides for the  
13 systematic development along guidelines for the unit  
14 configuration, size and shape with a reasonable flexibility  
15 while protecting those correlative rights.

16 JIM KAISER: Mr. Chairman, at this time if we could,  
17 we'd like to open the floor for questions and comments.

18 BUTCH LAMBERT: Yeah. Questions from the Board?  
19 I have several if nobody else has any at this point. Mr.  
20 Jansen, very...at the very beginning of your testimony you  
21 said that you had made some modification to what the Board  
22 saw at its August the 16th meeting as a result of comments  
23 that you had gotten back from the DGO and other folks. Could  
24 you go over what those modifications were?

25

1                   GUS JANSEN: Yeah. Some of those... specifically,  
2 I don't know if I can remember every single one of them. But  
3 there was some wording that was changed in the documents.  
4 Basically, one was a plan to address the horizontal lateral  
5 length not being achieved and how we would address that  
6 through the permitting process and the permit modification  
7 process. That wording was added into there. We also put  
8 in the wording on the six hundred foot vertical offset from  
9 any adjacent horizontals above or below a unit if there was  
10 a difference in the mineral ownership. Those were the two  
11 major things that were...address those type of things.

12                   JIM KAISER: Mr. Lovett, would you also like to also  
13 address that question?

14                   JIM LOVETT: Yes, if I could assist on that also.  
15 Within the document that you have in front of you. The draft  
16 order, when the Division Mineral or the Division of Gas and  
17 Oil looked at things knowing that this was going to be done  
18 through a permitting process, we had some additional  
19 requests to be able to give us the information that we would  
20 like to see as far as through the permitting process. There  
21 was an expiation of number 7F, which is the information that  
22 would be presented to us on the proposed surface location  
23 as far as the maps. The biggest thing of that, that there  
24 was some clarification of language as far as making sure that

25

1 we had the horizontal lateral unit name and the well name  
2 in there and as far as information that we would have that's  
3 inferred within the permitting process now, but was not  
4 specifically identified. It talked about making sure that  
5 we had a final plat that would be turned in at the end with  
6 a true location. The next thing that was changed or  
7 clarified a little bit was number 7I. This had to do mostly  
8 with clarification of language as far as maintaining a six  
9 foot both vertical and horizontal separation of things that  
10 was inferred within our discussion, but we did not think it  
11 was very clear within the wording. So, we had proposed some  
12 additional wording and language on that. Then the last one  
13 was number 7K, which this talk about was the problem of  
14 dealing with this if the projected and permitted horizontal  
15 unit did not reach its full maximum length necessary that  
16 it would give them the flexibility to be able to pool say  
17 the last unit, the last twenty acre unit out of that because  
18 there was a concern if it...if it stayed as it was that would  
19 actually dilute the royalty and production for the portion  
20 of that unit and those twenty acre unit that the production  
21 was actually coming from and did not want to then isolate  
22 or sterilize that last unit where the horizontal would not  
23 go into it. So, in all of these instances the language was  
24 really a little more restrictive and a little more

25

1 requirements in this clarification as far as the things that  
2 we needed in the plat, a clarification of unit names and  
3 other certifications and things like that. But in all  
4 instances it was a little more restrictive and requested  
5 information. Nothing was either softened or eliminated  
6 from any of the requirements.

7 BUTCH LAMBERT: Again, a question for Mr. Jansen.  
8 Lets talk about the grid system just a little bit on the  
9 twenty acres. I know you're focused in especially on the  
10 Southwest Virginia, which is proposed to be named  
11 SV...SWVH1. Those will be twenty acre units. I just want  
12 to clarify and make sure that we understand that we're only  
13 talking about the area on figure one. By the way, can we  
14 make this Exhibit A and submitted it to---?

15 SHARON PIGEON: AA.

16 BUTCH LAMBERT: AA. Okay, submit it AA. I stand  
17 corrected. But if I want...if...and just a what if,  
18 Rockingham County gets developed in the Marcellous and those  
19 go provisional, is it going to be real issue to extend this  
20 twenty acres all the way to Rockingham County and not have  
21 any gaps in our system? In other words, I think you said  
22 it's going to be a statewide system but right now you're just  
23 focusing on the yellow area that we have in figure...in  
24 Exhibit AA?

25

1           GUS JANSEN: Yes, that's correct. What we're using  
2 is this...the GIS technology that we have available today  
3 under the statewide mapping system, under the NAD-83 system  
4 everything has been developed on that, which is the  
5 requirement that we do now...use now for the location of  
6 wells and practically any other GIS data that's provided to  
7 the state outside of even...outside of the oil and gas  
8 industry. But any industry works under those mapping  
9 guidelines. Each of these grids was developed from the  
10 state's own base orthographical mapping that was done. So, each  
11 one of those large areas, the A, B, C, D, E and F we made  
12 sure we covered every possible part of the state and then  
13 those grids can be drawn in a GIS system that would cover  
14 the entire state and named based on this system.

15           BUTCH LAMBERT: Have those already been developed?  
16 I guess, the question for Mr. Cooper, are they already in  
17 our...at our database...set up in our database? Have we got  
18 that far yet? As the company---

19           RICK COOPER: Jim?

20           JIM LOVETT: We have received those, yes.

21           BUTCH LAMBERT: We have them and the companies have  
22 them as well?

23           JIM LOVETT: Yeah.

24           BUTCH LAMBERT: So, we're all on the same...same

25

1 page? We're talking about the same grid system and  
2 everything is consistent?

3 GUS JANSEN: Right.

4 JIM LOVETT: They sent those to us. We have  
5 received those. I was talking with one of our GIS people  
6 just this morning. The intent is then to be able to put that  
7 on the website through E-forms process and to make it  
8 downloadable to all companies to be able to utilize that also  
9 as far as what the foundation grid is.

10 BUTCH LAMBERT: Okay. Building upon that  
11 question, can you...can you help me understand the naming  
12 system for each one of those twenty acre units? I'm looking  
13 at the table, but for someone who has not sat in on the  
14 committee meetings, I'm a little bit confused.

15 GUS JANSEN: What the...what the table is a  
16 representation. Area A, for instance, that would define  
17 the four corners with a coordinate system...the state plain  
18 NAD-83 coordinate system would define the four corners of  
19 this large area A right here. Then this was divided down  
20 into individual twenty acre grids. This is like half  
21 million acres in that area A. There's several thousand of  
22 these twenty acre grids. The naming convention was  
23 developed for each of these. This is not...this could be  
24 changed at any point in time of how you name them. This was

25

1 just a convention that the committee sort of came up with  
2 was---

3 BUTCH LAMBERT: Well, that's the problem I don't  
4 want us to get into. Once I think they're established we  
5 want consistent namings.

6 GUS JANSEN: And it's a basically rows and column  
7 type of numbering system. So, you've got area A would be  
8 defined as this area here. In each twenty acre grid would  
9 be defined by a row and column system, just numbered one,  
10 two, three, four five, column one, two, three, four, five.

11 BUTCH LAMBERT: Kind of like we already have set up  
12 now?

13 GUS JANSEN: Right.

14 BUTCH LAMBERT: Won't that get into really long  
15 numbers and names?

16 GUS JANSEN: That would for the base grid, but the  
17 base grid...if you remember now, the base grid is only used  
18 to develop your unit and you can name your unit something  
19 different. The naming convention that had been proposed  
20 was to incorporate the filing number of the well into that  
21 or an application number. I think that was...would be the  
22 Director's discretion. So, if there was some point in time  
23 that...say the state changed to an API numbering system or  
24 is required to for some reason, I don't know, you could...you

25

1 could incorporate that naming convention every how you  
2 wanted.

3 BUTCH LAMBERT: I guess, that leads me to another  
4 question. Are all the companies on Board with this naming  
5 system and will we see a consistent naming system from all  
6 of the industries?

7 GUS JANSEN: In my opinion, yes. We've put in the  
8 guidance...in the document there that the naming convention  
9 will be prescribed by the oil and gas Director. So, I think  
10 that gives him the authority to make sure that that is done  
11 consistently and that everybody follows the same  
12 methodology.

13 IAN LUCAS: And to add to that, CNX Gas, you know,  
14 and I know EQT, I won't speak for them, but, you know, as  
15 a Consol representative we're on Board with it as well.

16 BUTCH LAMBERT: How is that new baby, by the way?

17 IAN LUCAS: Wonderful.

18 BUTCH LAMBERT: Was it a boy or girl?

19 IAN LUCAS: A little girl.

20 BUTCH LAMBERT: Good. Congratulations.

21 IAN LUCAS: Thank you.

22 JIM LOVETT: Chairman Lambert, from the  
23 regulatory prospective we have a document or a memo ready  
24 to go as soon as this is approved as far as identifying the  
25

1 field, a line item to be able to add to the formation that's  
2 going to be developed and then probably the first unit that  
3 the production comes out of and then also working with  
4 everyone once the pipe comes in to be able to identify all  
5 of the twenty acre grids just in a table format so that those  
6 can be tracked properly.

7 BUTCH LAMBERT: How will the horizontals that are  
8 already drilled fit into this system? How do you  
9 propose...given the 320 acres that we've set up now, how will  
10 you work around those? I don't expect that we'll change  
11 what's already in place. But my question is how are you  
12 going to work around those that already there? Will your  
13 twenty acres overlap them and they will just be what they  
14 are or---?

15 GUS JANSEN: Yes. I think that's the way that we  
16 will have to go forward. The ones that already in placed  
17 and have already been drilled and producing, I think those  
18 will have to stay as they are. But that payment would  
19 continue based on that acreage allocation in those units.  
20 As you drill additional wells around these areas, each of  
21 those new units would have its own unit associated with that  
22 lateral. It could overlap with an existing unit, that 320  
23 acre unit. So, there would have to be a payment based on  
24 that acreage because, again, you're probably draining a

25

1 different piece of formulation and that what lead down to  
2 all of us this is...the background to it was the 320 we  
3 recognized early on that, you know, a single well is not  
4 going to drain a whole 320 acre unit. This other system  
5 allowed you to formulate your unit more similar to what  
6 you're asking draining.

7 BUTCH LAMBERT: So, you'll...if you're going to  
8 drill another horizontal 600 feet...at least 600 feet away  
9 from the horizontal that's already in place you will still  
10 use the twenty acre grid, but you will...they key, as set  
11 out in the draft order here, will still stay...have to stay  
12 six hundred feet away?

13 GUS JANSEN: Right.

14 BUTCH LAMBERT: And then payment will have to  
15 be...tell me about how you plan on doing that?

16 GUS JANSEN: You would have to double pay if you had  
17 ownership---.

18 BUTCH LAMBERT: Okay.

19 GUS JANSEN: ---in both units.

20 BUTCH LAMBERT: Good. That's what I wanted to  
21 hear. Thank you.

22 GUS JANSEN: There's no way around that.

23 MARY QUILLEN: Mr. Chairman, just one comment.

24 BUTCH LAMBERT: Ms. Quillen.

25

1           MARY QUILLEN: What we had discussed in the meetings  
2 was that the twenty acres could overlap and they would fit  
3 because just the configuration would fit on those and if that  
4 circumstances, I guess, presented themselves to doing that  
5 that means, and clarify this...make sure that I'm saying  
6 this right, that anyone that was in either the original 320  
7 or in one of those new twenties overlapped would be...would  
8 receive payment for it.

9           GUS JANSEN: You would receive payment for both  
10 wells.

11           MARY QUILLEN: For both wells?

12           GUS JANSEN: On a well by well basis as we pay now,  
13 yes.

14           MARY QUILLEN: Okay. Okay. Thanks.

15           BUTCH LAMBERT: Any other questions? I've still  
16 got a couple more. What led to the six hundred foot offset  
17 distance? Was there discussions of the committee? Is  
18 there some geologic reason or did we pick that number just  
19 because it sound like a good number?

20           GUS JANSEN: The initial discussion revolved around  
21 historic production with the existing wells that we've seen  
22 to date. We also looked at drilling in other states in  
23 similar formations such as the Kentuckian and Lower Huron.  
24 We also even went as far as to look at some of the work that

25

1 has been done in West Virginia and those type of areas. At  
2 the end of the day though, we want to get back to what we're  
3 doing in Virginia. The initial fault was the three hundred  
4 foot offset was a reasonable distance to define that  
5 drainage area given the fact that we're also expanding that  
6 out. I'll give you a quick example of how this sort of would  
7 work out. If you had a three thousand foot lateral with a  
8 three hundred foot offset all the way around it that area  
9 is basically forty to fifty acres. It's around forty acres  
10 depending on what the actual length is. So, you're talking  
11 about a drainage area of forty acres. When you overlay that  
12 on all of these twenty acre grids you're probably going to  
13 end up with a unit size that's in the neighborhood of two  
14 hundred to three hundred acres. So, you've really got to  
15 pick a buffer zone in there to protect everything by that  
16 distance. The larger you make that three hundred foot  
17 offset you end up with a larger unit at the end of the day.  
18 We would end up with a unit bigger than the 320 if we go much  
19 more than three hundred feet on an average basis. Then also  
20 looking back at the technology of what we've seen from the  
21 drilling and what we think we are producing, you know, the  
22 goal of any operator producing from a field is to drain the  
23 maximum amount of resources they can. We don't want to over  
24 drill it, but we don't want to leave a resource behind

25

1 either. We feel like that was a common ground that was  
2 reasonable based on the configuration to make this sort of  
3 square peg fit in this round hole that we're trying to do  
4 a gridding system.

5 BUTCH LAMBERT: I know I've heard Mr. Prather ask  
6 several times in the last couple of years that I've been on  
7 this Board about interference from wells...from adjacent  
8 wells. Was that in the consideration? I said six hundred  
9 foot earlier. I meant the entire area around the well. But  
10 it's really three hundred feet. Was---?

11 REBECCA HEFLIN: We have some evidence from other  
12 states, you know, where we have seen interference. I think  
13 the key for the industry for us was to go on the minimum side  
14 because as we drill if we find that that's too close we can  
15 always drill wells further apart, but you don't want to make  
16 your distance so far that you're leaving minerals behind in  
17 between your wells. The three hundred foot is in the realm  
18 of what we think we've seen. We've done some actual  
19 reservoir modeling on Virginia. We don't have quite as much  
20 data and evidence because we haven't drilled near as many  
21 wells in Virginia. But we can take what we have seen in  
22 other states and take our geologic perimeters and do some  
23 modeling and we think the three hundred feet is in the realm  
24 of what our reservoir models are showing.

25

1            BUTCH LAMBERT: So, potentially we could see...I'll  
2 get you in just a minute. Potentially we could see that a  
3 modification in that to...based on interference, not maybe  
4 to extend that to four hundred feet or five hundred feet?

5            REBECCA HEFLIN: Well, I think the industry will do  
6 that because we want to drill economic wells. So...I mean,  
7 there's nothing that's going to keep us from drilling wells  
8 five or six hundred feet apart if that's what we feel like  
9 becomes economic ten years from now or twenty years now if  
10 fracing technology changes. What you don't want to do is  
11 make the distance so large now that if technology changes  
12 and you think you're not draining that much, it's harder to  
13 go back the other way. So, we've kind of set it at what we  
14 think our minimum is right now.

15            BUTCH LAMBERT: Okay. Mr. Cooper.

16            RICK COOPER: The only question...Ms. Heflin, needs  
17 to identify herself for the record.

18            REBECCA HEFLIN: I'm sorry. Rebecca Heflin,  
19 reservoir manager with EQT Production.

20            BUTCH LAMBERT: Thank you.

21            SHARON PIGEON: We had comments over here too that  
22 were not identified.

23            RICK COOPER: Mr. Lucas, you did.

24            IAN LUCAS: Ian Lucas with CNX Gas.

25

1                    BUTCH LAMBERT: Okay.

2                    JIM LOVETT: Mr. Lambert, I think you had a real good  
3 point there also. The proposal that's on the table right  
4 now can be modified or has the potential to be modified in  
5 the future if it's ever determined that something was either  
6 missed or there is better information to be able to make the  
7 modifications. Based upon on the presentations of our  
8 reservoir engineers in our committee, everyone agreed that  
9 probably a three hundred foot production and a six hundred  
10 foot offset was the appropriate based upon the technology  
11 and the information that we had available to us now. But  
12 at some point in the future if it's determined that there  
13 is communication or problems or it's needs to be increased  
14 or decreased one way or another. The Board always has the  
15 option to be able to come back and modify any of the field  
16 rules to make it more appropriate.

17                    BUTCH LAMBERT: Okay. I had one more question but  
18 I think we've already covered that, Mr. Jansen, about  
19 overlapping with those horizontals that are already in place  
20 in a 320 acre unit. So, I think that...we've cleared that.  
21 Are there any other questions from the Board?

22                    (No audible response.)

23                    (Mr. Lambert and Ms. Pigeon confer.)

24                    BUTCH LAMBERT: Mr. Jansen, can we introduce  
25

1 this...for the record, this is the handout that you gave Mr.  
2 Harris just to explain---?

3 GUS JANSEN: Yes.

4 JIM KAISER: Make that Exhibit BB?

5 BUTCH LAMBERT: Yes.

6 JIM KAISER: I believe that's also the exhibit that  
7 we introduced in August.

8 BUTCH LAMBERT: In August. I think so. But we'll  
9 put it---.

10 SHARON PIGEON: Well, you presented from it then,  
11 but we didn't do anymore testing on it. So, it's not an  
12 official exhibit from that.

13 JIM KAISER: That's right. You're right.

14 SHARON PIGEON: I'm always right.

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

17 (No audible response.)

18 BUTCH LAMBERT: I'm going to go down there just in  
19 a minute. I see her. Yeah, Ms. Gwilliams, hold on one  
20 second. I'm going to get to the public here just in a minute  
21 to make sure that we're...the Board has no more questions  
22 for these folks. We've heard all the testimony that you are  
23 prepared to present. Now, are there any questions or  
24 comments from the public after you've heard the testimony

25

1 from the industry?

2 (No audible response.)

3 BUTCH LAMBERT: Ms. Gwilliams, if you would come  
4 forward, please. Okay. Would you state your name again  
5 for the record, please?

6 MARTHA GWILLIAMS: Martha Gwilliams, heir to the  
7 Linkous Horn Estate. Also, an heir to the Frank Smith  
8 Estate. I'm sorry, I forgot.

9 BUTCH LAMBERT: Do you have a question or a comment,  
10 Ms. Gwilliams?

11 MARTHA GWILLIAMS: Okay. I have a couple of  
12 questions. One question for the Board and one question for  
13 the panel. I'm not...I'm not...I'm well aware of the  
14 horizontal drilling would be very economically for the state  
15 and the tax and all of that. I'm well aware of that. But  
16 I do...I do...I would like to know where the protection for  
17 the people is going to be on this because according to what  
18 I'm hearing from CNX Gas unless they actually have a well  
19 site on the property, we don't have to be compensated. I  
20 don't...that's my disagreement here. What...where is the  
21 protection for the people that own the property?

22 BUTCH LAMBERT: All right. Ms. Gwilliams, let me  
23 clarify. You're talking about the surface?

24 MARTHA GWILLIAMS: Yes, I am. But I'm also talking  
25

1 about the gas that's going to be welled horizontally drilled  
2 and pulled from under the surface.

3 BUTCH LAMBERT: Well, I think CNX is just dying to  
4 answer that question.

5 MARTHA GWILLIAMS: I'm sure they would.

6 SHARON PIGEON: Well, they weren't the ones  
7 presenting testimony though. Let's just clarify that.  
8 You were hearing from Mr. Jansen.

9 MARTHA GWILLIAMS: Well, I know, but the panel is  
10 here to represent---

11 BUTCH LAMBERT: Well, would you like for the Board  
12 to address that question or would you like for---

13 MARTHA GWILLIAMS: Sure. I don't care who  
14 address...I just want to know how...I don't live on the  
15 property, but I have relatives that do. I mean---

16 BUTCH LAMBERT: Just to clarify, you're talking  
17 about the surface property at this point?

18 MARTHA GWILLIAMS: Yes, sir. But we're also  
19 talking about gas. I just---

20 SHARON PIGEON: Different categories have  
21 different protections. That's what he's trying to clarify  
22 for you. Ask the question twice.

23 MARTHA GWILLIAMS: Okay. Well, I'm ready to  
24 listen.

25

1            BUTCH LAMBERT: Okay. So, let me make sure.  
2 First, we will address your surface, okay, and then we'll  
3 ask the committee to address your gas rights if you have the  
4 gas under that piece of property. Who from the committee  
5 would like to address her surface? You're not going to  
6 drill on her surface. Let's say you're not drilling...a  
7 proposed well is not to be drilled on her surface but  
8 somebody else's surface. Therefore, she has nothing to  
9 complain about because it won't...if they're proposed to  
10 drill on your surface then they will have to negotiate with  
11 you under the requirements of the law and regulations of  
12 where that well can be placed and some other issues. If  
13 it's...if you're a gas owner under that property, then they  
14 will work with you on how your gas will be produced and how  
15 your payments will be handled.

16            GUS JANSEN: Right. You would have...under the  
17 surface ownership, we would have to have a surface only  
18 agreement with you if we were going to disturb any of your  
19 surface...using...utilizing any of your surface in the  
20 production of the gas if you did not have a lease with the  
21 company for that from that standpoint. Now, if you are gas  
22 owner and the drainage area that's going to be produced by  
23 that horizontal lateral, if you are within the unit you would  
24 be compensated proportionally based on the amount of acreage

25

1 that you have in the unit.

2 BUTCH LAMBERT: In other words, there's no  
3 change---.

4 GUS JANSEN: There's no change from what we're  
5 doing---.

6 BUTCH LAMBERT: ---on that proposal than what we  
7 have normally done in the past.

8 MARTHA GWILLIAMS: So, there will be escrows?

9 SHARON PIGEON: If there's a conflict.

10 BUTCH LAMBERT: If there's a conflict. Just like  
11 we have done in the past on other---.

12 SHARON PIGEON: If there is no conflict, you will  
13 receive your royalties directly.

14 MARTHA GWILLIAMS: Well, the only thing that has  
15 been severed from this is the coal.

16 SHARON PIGEON: Well, that's where the conflicts  
17 come up if it's a coalbed methane.

18 MARTHA GWILLIAMS: Yeah, that's what I meant.

19 SHARON PIGEON: If it's not a coalbed methane, then  
20 that won't be a problem.

21 BILL HARRIS: Mr. Chairman, if I might just comment,  
22 I think your concern is well founded. I know you were asking  
23 about if this horizontal lateral runs under your property,  
24 but the original drill site is not on your property you would

25

1 still be compensated. You would still receive royalties  
2 from that if your property on the surface is any of those  
3 twenty acre blocks that surround that lateral. So, if the  
4 lateral---

5 SHARON PIGEON: If she is the gas owner.

6 BILL HARRIS: Assuming you're the gas owner, yes.

7 SHARON PIGEON: By referring to the surface, I think  
8 you confused it a little bit there.

9 BILL HARRIS: Yeah. But the actual drill...the  
10 actual hole that's drilled doesn't have to be on your  
11 property. But if you own gas rights and the lateral if under  
12 your property, you'll be compensated for that because  
13 everyone will be identified in that...in those twenty acre  
14 grids that surround the lateral. So---

15 SHARON PIGEON: In the unit that's established.

16 JIM KAISER: Yeah. The same as it works now. The  
17 two acre unit and you've got twenty acres in that unit and  
18 then you'd get one-tenth of the one-eighth pro-rata.

19 MARY QUILLEN: If there was no conflict.

20 JIM KAISER: Right.

21 MARY QUILLEN: I think---?

22 JIM KAISER: In the case of a conventional.

23 MARY QUILLEN: ---that most of your...there is a  
24 conflict, is that not right, and the money is going into

25

1 escrow? Is that right?

2 SHARON PIGEON: Coalbed methane has the same  
3 conflict.

4 MARTHA GWILLIAMS: Money for the Smith family is not  
5 going anywhere as we speak. There is no escrow set up.

6 MARY QUILLEN: Okay.

7 MARTHA GWILLIAMS: But the only thing that has been  
8 severed from this property is the coal. Yeah, we...I told  
9 you I got the well numbers and all of that. I mean, I'm sure  
10 that there's gas being removed from our property right now  
11 because of the locations of the wells. But Ms. Duty told  
12 me that she doesn't have to address that at this point unless  
13 they put a site on the surface. That's why I'm so concerned  
14 about this horizontal drilling because there still won't be  
15 a site on the surface most likely.

16 MARY QUILLEN: Well, there will be only...you know,  
17 there will be a number of those twenty acre units, but there  
18 will only be one that has the surface that actually has the  
19 well surface...on the surface of  
20 the---

21 KATIE DYE: Mr. Chairman.

22 MARY QUILLEN: So, I'm not sure that I understand  
23 exactly what...but you're saying that you think that unless  
24 the well is drilled on your property, you will not be

25

1 compensated for your gas. Is that what you're saying?

2 MARTHA GWILLIAMS: That's what I'm worried about.

3 MARY QUILLEN: Okay.

4 MARTHA GWILLIAMS: But Ms. Duty told me because  
5 there was fifty-four people that there was too many...I'm  
6 just...we're like in the fifth generation. I'm the third  
7 generation. We've got...I understand what she was saying.  
8 That would be a lot of work. But I still think that...I  
9 don't think they should just file it away because these  
10 people are not unlocateable. If you drill a well on the  
11 surface horizontally or whatever and there's family members  
12 available that you can talk to or you can go to then I just  
13 feel that that should be done. This is not fair. There's  
14 got to be some protection for the people somewhere. I'm not  
15 saying that you guys are not doing a good thing. I mean,  
16 I know the energy crisis. I pay tax. You know, our school  
17 system is probably going to be cut even in Salem...as well  
18 as Salem is. We'll probably have to make cuts next year.  
19 I know what's going on. I know this is important, but I also  
20 think that just the everyday middle income wage earner I  
21 think he's important too. I think that there should be  
22 something put into place with this to protect the property  
23 owners. I know what this does to the water. We have all  
24 sorts of problems in Buchanan and Dickenson County. We know

25

1 what drilling these wells does to the property. There's  
2 property in Buchanan County right now that it's totally  
3 worthless because of the water. There's property in  
4 Dickenson. You guys know this.

5 SHARON PIGEON: You all are not drilling wells on  
6 surfaces where you don't have an agreement with the surface  
7 owner, are you?

8 MARTHA GWILLIAMS: There still should be property  
9 protect...there still should be protection. There should  
10 be something in place.

11 BUTCH LAMBERT: Ms. Dye, do you have a question?

12 KATIE DYE: Well, my question kind of goes back to  
13 what she's saying. There is no provision in any of this for  
14 like the surface owners that Mr. Jansen referred to. With  
15 these small twenty acre units, if you're a severed surface  
16 owner then you could take a lot of damage. A lot of times  
17 you come out with zero.

18 GUS JANSEN: It's my understanding under the  
19 current DGO regulations that prior to receiving a permit for  
20 any surface disturbance you have to have an agreement in  
21 place with the surface owner and you have to compensate that  
22 surface owner for that damage. We're not talking about gas  
23 rights here.

24 (Tape 2)

25

1           GUS JANSEN: ...regulations.

2           SHARON PIGEON: Under the statute.

3           GUS JANSEN: Under the statute.

4           SHARON PIGEON: It may be flushed out some under  
5 regs. But 45.1-361.35 divides what objections may be made  
6 to the permitting application by ownership whether it's  
7 surface, royalty, coal or other mineral or even gas field  
8 operators.

9           KATIE DYE: But there's nothing in that reg that  
10 provides for the sterilization of the property for up to  
11 sixty years.

12           SHARON PIGEON: Well, because of this right of  
13 objection, that's why operators do not drill on any surface  
14 where they do not have a contract with the surface owner to  
15 do that.

16           KATIE DYE: But they do. They did in my case.

17           BUTCH LAMBERT: Well, that will...I'm sure that is  
18 being addressed in another forum.

19           KATIE DYE: It is.

20           JIM KAISER: Well, and actually there is...if I may,  
21 there actually is a section of that statute that allows for  
22 an objection to the future use of the property and all of  
23 that. I believe it's the third one for the surface owner.

24           KATIE DYE: Well, what you have a lot of times during  
25

1 this case is you have an uneven balance of power because you  
2 have...like a surface owner maybe with severed rights and  
3 that individual is going up against a corporation.

4 BUTCH LAMBERT: Well, again, I think---.

5 JIM KAISER: Well---.

6 KATIE DYE: And there's no provisions as to what  
7 these people are to be paid that I have found like in the  
8 code or the regs.

9 JIM KAISER: Well, I think what you're discussing  
10 now is primarily a permitting issue and is a little off track  
11 as to what we're talking about here today, if I may. If you  
12 are not happy with your compensation for surface damages,  
13 you've got the recourse your need in the Circuit Court of  
14 the county in which the property lies.

15 SHARON PIGEON: Well, you can appear at the permit  
16 application hearing---.

17 JIM KAISER: Right.

18 SHARON PIGEON: ---and make your objections  
19 known. I don't know if---.

20 JIM KAISER: Yeah, you can...yeah, you can file an  
21 objection and have an informal hearing.

22 SHARON PIGEON: I don't know if Ms. Dye did that,  
23 but, you know, that's your first step.

24 JIM KAISER: And then you go to them, from there you  
25

1 go to the Board and then from the Board you go to Circuit  
2 Court.

3 MARTHA GWILLIAMS: We've never been notified at one  
4 of these permit hearings.

5 JIM KAISER: That's because your surface apparently  
6 wasn't being disturbed.

7 MARTHA GWILLIAMS: My gas is being removed in the  
8 other cases and not just...not what we're talking about  
9 today, but we've been in this thing for a long time. I've  
10 never been notified to a permit hearing. If there was  
11 some---

12 BUTCH LAMBERT: Well, this---

13 MARTHA GWILLIAMS: ---mechanism in this to make  
14 sure that we could be notified, that would be a step in the  
15 right direction. We own this gas. We should be permitted  
16 to be there. That would be protection for the people  
17 that's---

18 JIM KAISER: It's also in the nature.

19 BUTCH LAMBERT: Well, again...well, I think we're  
20 getting way off the subject here.

21 JIM KAISER: Yeah.

22 BUTCH LAMBERT: We're just focused on field rules  
23 for horizontal drilling and now we're getting into other  
24 issues that's already addressed in the statute and/or

25

1 regulations. I think that we need to pull this back and  
2 focus in on what we're hearing this docket item for. So,  
3 your comments are noted, Ms. Gwilliams, but, again, I think  
4 they're not appropriate for the subject that we're here to  
5 hear.

6 MARTHA GWILLIAMS: I thank you. I appreciate it.  
7 But as Board members trusted by the State of Virginia, before  
8 you grant anything else you should...you should as trusted  
9 members of the State of Virginia, you're here to protect the  
10 people as well as the companies. There should be something  
11 put in to protect the people. That's all I have to say.  
12 Thank you very much. I'm very serious about this. I  
13 strongly object.

14 BUTCH LAMBERT: Thank you. Okay, thank you. Any  
15 other questions concerning the docket item from the Board  
16 or the public? Let me offer the public one more chance, if  
17 there's any comments or questions from the public. I have  
18 one more question that while we were talking about these  
19 rights issuing royalties. Was there any discussion given  
20 to these horizontal units on the percentage that has to be  
21 leased as we already have or did you foresee what's already  
22 set out as far as leased percentages before you can actually  
23 get the approval to drill? Was there any discussion or are  
24 you proposing, which is not in the draft, to keep that the

25

1 same?

2 GUS JANSEN: There was discussion in the committee  
3 about that. It was not, I think within the committees  
4 authority to propose...I don't think the committee felt it  
5 was their position to propose any changes to the current  
6 regulations and laws that are in the statute.

7 SHARON PIGEON: You feel as a committee that the  
8 statute as it reads now controls. If you are doing a  
9 horizontal coalbed methane, no percentage and if you're  
10 doing a conventional twenty-five percent.

11 JIM KAISER: Correct.

12 GUS JANSEN: Correct.

13 SHARON PIGEON: I think you're accurate about that.  
14 That's a statutory requirement and it's not going to be  
15 altered by field rules.

16 BUTCH LAMBERT: Okay. I just wanted to make that  
17 point clear as well. Any other questions or comments from  
18 the Board?

19 (No audible response.)

20 BUTCH LAMBERT: So, I assume that the Board has  
21 looked at the proposed draft rule.

22 JIM KAISER: Mr. Chairman, do we need to read Mr.  
23 Prather's letter?

24 BUTCH LAMBERT: Yeah. I'm sorry. I'm sorry.

25

1 Thank you.

2 JIM KAISER: Okay. Whenever you want to.

3 SHARON PIGEON: There's a lot going on here.

4 BUTCH LAMBERT: Since Mr. Prather couldn't with us  
5 today, he did send a letter as the chairman of the committee  
6 that he would like to be...or to have read into the record.  
7 I'll ask Mr. Cooper if he will please read that into the  
8 record for us.

9 JIM KAISER: Ms. Pigeon, are you going to make that  
10 CC?

11 SHARON PIGEON: Yes, let's do. Thank you.

12 RICK COOPER: Again, this is Mr. Prather. "Dear  
13 Board Members: I regret that I will be unable to attend the  
14 December 20, 2011 meeting of the Virginia Gas and Oil Board.  
15 My daughter is having major surgery on December the 19th and  
16 this event precludes my being in attendance at the meeting.  
17 The adoption of the proposed new regulations will give the  
18 industry the guidance and flexibility to drill horizontal  
19 gas well with greater confidence and protect the correlative  
20 rights of the royalty owners. In my opinion, all of the  
21 shortcomings of the provisional horizontal drilling  
22 guidelines have been addressed by the committee. I propose  
23 that the Virginia Gas and Oil Board adopt the new field rules  
24 for drilling horizontal gas wells in the Commonwealth of

25

1 Virginia. As Chairman of the committee, I would take this  
2 opportunity to thank the committee members for their  
3 suggestions, diligence and insight in preparing the new  
4 guidelines. In Best Regards, Bruce Prather."

5 BUTCH LAMBERT: And also if the Board will note, we  
6 have...I think you have in packet or in your hand by now a  
7 letter of objection that was mailed or actually it was  
8 forwarded to me from W. F. Mason, Jr., Attorney and Counsel  
9 At Law from Roanoke, Virginia. That has been signed by  
10 Kenneth Roy Osborne, Perry H. Horn, Paul J. Osborne, Martha  
11 Ellen Smith Williams, Sydney Harrison Smith, Curtis M.  
12 Osborne and Shirley Keene. This letter states that "The  
13 hereafter owners of coalbed methane and owners of natural  
14 gas rights in Buchanan, Virginia do hereby object to the  
15 motion and proposal from the horizontal drilling committee  
16 established by the Board for an order establishing field  
17 rules for horizontal drilling in Southwest Virginia. We  
18 assert that the Oil and Gas Board lacks the jurisdiction to  
19 adopt proposals allowing horizontal drilling in Southwest  
20 Virginia without specific legislative authority and that  
21 the Virginia Gas and Oil Act as it is presently enforced does  
22 not empower the Board to adopt such field rules." So, that  
23 will be entered into the record as well.

24 SHARON PIGEON: Exhibit DD.

25

1           BUTCH LAMBERT: Exhibit DD.

2           SHARON PIGEON: And believe you used Perry H. Horn.  
3 It W. Horn, just to clarify that.

4           BUTCH LAMBERT: I think I need to correct one name  
5 that I read out. I may have read that wrong. I'll read it  
6 again. That's Perry W. Horn. So, that will be entered into  
7 the record, along with the letter from Mr. Prather.  
8 Anything further before I call for a vote?

9           (No audible response.)

10          BUTCH LAMBERT: Do I have a motion?

11          MARY QUILLEN: Motion to approve.

12          ALLEN COMPTON: Second.

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

15          (No audible response.)

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

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

18          BUTCH LAMBERT: Opposed, no.

19          KATIE DYE: No.

20          BUTCH LAMBERT: Thank you, Committee, for your  
21 work. The field rules have been adopted.

22          JIM KAISER: Thank you.

23          GUS JANSEN: Thank you.

24          SHARON PIGEON: And I'll just state for the record

25

1 that the statutory reference for that for the Board's power  
2 to establish field rules is set out at 45.1-361.20. There  
3 are at least a couple of regs in addition to that, fleshing  
4 it out.

5 BUTCH LAMBERT: Thank you, folks. The Board  
6 appreciates your work.

7 JIM KAISER: Thank you.

8 BUTCH LAMBERT: At this time, we're going to take  
9 a ten or fifteen minute break.

10 (Break.)

11 BUTCH LAMBERT: On the Board's own motion, we hear  
12 testimony on unit 075ACV. This will be docket number  
13 VGOB-11-1115-3001. All parties wishing to testify to  
14 provide corrected testimony, please come forward.

15 MARK SWARTZ: Mark Swartz and Anita Duty.

16 BUTCH LAMBERT: You proceed, Mr. Swartz.

17 MARK SWARTZ: You probably need to put Anita under  
18 the right hand.

19 (Anita Duty is duly sworn.)

20

21

22

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Anita, what needed to be corrected with regard to two...I'm sorry, with regard to three?

A. One of our lessors had called and asked me...we don't have any lease in this unit. We had originally shown him being leased by Appalachian Energy. He asked if I would just correct the record and have new exhibits to show that Buchanan Realty is unleased by anybody in this 075ACV unit. So, that was basically all I needed to do.

Q. Do you have those exhibits?

BUTCH LAMBERT: Okay, do you have copies of that for us?

ANITA DUTY: Uh-huh.

BUTCH LAMBERT: Okay.

(Exhibits are passed out.)

BUTCH LAMBERT: So, Ms. Duty, the new exhibit takes out the part of that that you referenced earlier?

ANITA DUTY: Yes. The tract ID shows that

1 Appalachian Energy does not have that Buchanan Realty lease  
2 and we've taken the asterisk off of them on Exhibit B-3.

3 BUTCH LAMBERT: Okay.

4 ANITA DUTY: So, that's just to have that in the  
5 order rather than what I testified to last month.

6 BUTCH LAMBERT: Do I have a motion for the corrected  
7 testimony?

8 MARY QUILLEN: Motion to approve.

9 ALLEN COMPTON: Second.

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

12 (No audible response.)

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

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

15 BUTCH LAMBERT: Opposed, no.

16 KATIE DYE: I'll abstain.

17 BUTCH LAMBERT: One abstention Ms. Dye. We're  
18 calling docket item number four. A petition from CNX Gas  
19 Company, LLC for pooling of coalbed methane unit  
20 C-33, this is docket number VGOB-11-1220-3008. All parties  
21 wishing to testify, please come forward.

22 MARK SWARTZ: Mark Swartz and Anita Duty.

23 BUTCH LAMBERT: You may proceed, Mr. Swartz.

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

ANITA DUTY

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

DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

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

A. Anita Duty.

Q. Who do you work for this time?

A. Consol Energy.

Q. Okay. What do you do for them?

A. I'm the pooling supervisor.

Q. And with regard to this application today in C-33, were you in charge of assembling the notice of hearing and exhibits and the application and exhibits?

A. Yes.

Q. And did you either prepare those things or have them prepared under your direction?

A. I did.

Q. And did you sign both the notice and the application?

A. Yes.

Q. Okay. Who is the applicant?

A. CNX Gas Company.

1 Q. And is CNX Gas Company a Virginia Limited  
2 Liability Company?

3 A. Yes.

4 Q. Has it...is authorized to do business in the  
5 Commonwealth?

6 A. Yes.

7 Q. And is the applicant, CNX, seeking to  
8 designate an operator?

9 A. Yes.

10 Q. And who would that operator be?

11 A. CNX Gas Company.

12 Q. Has CNX Gas Company registered with the  
13 Department of Mines, Minerals and Energy and DGO as an  
14 operator in this state?

15 A. It has.

16 Q. And has it provided the required bond?

17 A. Yes.

18 Q. What kind of a unit is this?

19 A. An Oakwood 80 acre?

20 Q. And how many wells are proposed?

21 A. One.

22 Q. And where is it located in relation to the  
23 window?

24 A. It's within the window.

25

1 Q. Okay. Have you listed all of the people  
2 that you wanted to name as respondents, people who need to  
3 be pooled in your notice of hearing and in the exhibits?

4 A. Yes.

5 Q. Do you want to delete anybody from that  
6 list?

7 A. No.

8 Q. I take it you don't want to add anyone  
9 either?

10 A. No.

11 Q. What did you do to notify the respondents  
12 and others that there was going to be a hearing today?

13 A. Mailed by certified mail return receipt  
14 requested on November the 18th, 2011. Published in the  
15 Bluefield Daily Telegraph the notice and location map on  
16 November the 26th, 2011.

17 Q. And have you provided or are you going to  
18 today provide to the Director your certificates with regard  
19 to mailing and your proofs with regard to publication?

20 A. Yes.

21 Q. This...with regard to the interests that  
22 the applicant has acquired and the amount of interest that  
23 need to be pooled, what interests have you acquired?

24 A. We've acquired 100% of the coal owner's  
25

1 claim to CBM. 92.3781% of the oil and gas owner's claim to  
2 CBM. We are seeking to pool 7.6219% of the oil and gas  
3 owner's claim to CBM.

4 Q. In that regard, if you combine the  
5 agreements and the ownership interests that you've obtained  
6 voluntarily with a pooling order pooling these respondents,  
7 would it be your opinion that the correlative rights of  
8 everyone who has an interest or claim in this unit to the  
9 CBM would be protected?

10 A. Yes.

11 Q. Okay. The plat that you filed shows the  
12 Oakwood 80 and shows the window, correct?

13 A. Yes.

14 Q. And it shows the well within that window.  
15 Is it your opinion that this is a reasonable to  
16 drill...drilling this frac well is a reasonable way to  
17 develop the coalbed methane from within and under this unit?

18 A. Yes.

19 Q. Have you provided the Board with specific  
20 information pertaining to the well?

21 A. I have.

22 Q. And what is the...what is the cost?

23 A. \$305,329.30.

24 Q. Okay. Is this well drilled?

25

1 A. Yes, it is.

2 Q. Okay. And the permit number?

3 A. 12103.

4 Q. And it looks like it has got an 01. That  
5 would mean there was one modification, I would take it.

6 A. Yes.

7 Q. And the depth of this well?

8 A. 1,846 feet.

9 Q. Is escrow required for anyone in this unit?

10 A. Yes, for Tract 3.

11 Q. Okay. And the reason for that escrow is  
12 just there's some conflicts between the oil and gas and coal  
13 people, correct?

14 A. Yes.

15 Q. And there are no split agreements in this  
16 unit?

17 A. No.

18 Q. And in the event that the Board approves  
19 this application and enters an order, what are the lease  
20 terms that you would recommend to them with regard to this  
21 coalbed methane unit?

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

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

25



1 follows:

2 DIRECT EXAMINATION

3 QUESTIONS BY MR. SWARTZ:

4 Q. Anita, I'm going to remind that you're still  
5 under oath.

6 A. Okay.

7 Q. You need to state your name for us, again.

8 A. Anita Duty.

9 Q. Who do you work for?

10 A. Consol Energy.

11 MARK SWARTZ: Mr. Chairman, I'd like to incorporate  
12 Anita's testimony with regard to the applicant, operator,  
13 standard lease terms and her employment.

14 BUTCH LAMBERT: Accepted.

15 MARK SWARTZ: Thank you.

16 Q. This is also an Oakwood 80, is it not?

17 A. It is.

18 Q. And we've got the same respondents here that  
19 we just saw?

20 A. Yes.

21 Q. And how many wells are proposed for this  
22 unit?

23 A. One.

24 Q. And you've attached or included an Exhibit  
25

1 A plat that shows the well within the drilling window,  
2 correct?

3 A. It is.

4 Q. Is it proposed to be a frac well?

5 A. Yes.

6 Q. Is it your opinion that drilling a frac well  
7 within the drilling window of this unit is a reasonable way  
8 to produce the coalbed methane from within and under this  
9 unit?

10 A. Yes.

11 Q. Have you listed the respondents...the  
12 people that need to be pooled in both the notice of hearing  
13 and the exhibits to the application?

14 A. Yes.

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

17 A. No.

18 Q. Do you want to dismiss any of those folks?

19 A. No.

20 Q. What did you do to notify people, including  
21 the respondents, that there would be a hearing today?

22 A. We mailed by certified mail return receipt  
23 requested on November the 18th, 2011. We published the  
24 notice and location map in the Bluefield Daily Telegraph on  
25

1 November the 25th 2011.

2 Q. And have you provided or are you going to  
3 provide today your certificates with regard to mailing and  
4 the newspaper's proof of publication?

5 A. Yes.

6 Q. And the...the status of the applicant in  
7 terms of standing, what have you obtained in this unit and  
8 what are the interests that you need to pool? What would  
9 those be?

10 A. We've acquired 100% of the coal owner's  
11 claim to CBM and 96.2125% of the oil and gas owner's claim  
12 to CBM. We're seeking to pool 3.7875% of the oil and gas  
13 owner's claim to CBM.

14 Q. It looks like this well has not been  
15 drilled?

16 A. It has not.

17 Q. Okay. And it looks like you don't have a  
18 permit number either?

19 A. No.

20 Q. Have you provided the Board, however, with  
21 a cost estimate for this well?

22 A. Yes.

23 Q. And what's that estimate?

24 A. \$303,827.57.

25

1 Q. And the estimated depth is what?

2 A. 2,326 feet.

3 Q. There's an escrow requirement here just as  
4 there was in the last unit?

5 A. Yes, for Tract 2.

6 Q. Okay. And, again, it's just a conflicts  
7 issue?

8 A. It is.

9 Q. Okay. And there are no split agreements?

10 A. No.

11 Q. Is it your opinion that if we...if we  
12 combine a pooling order pooling the respondents, would the  
13 agreements and ownership interest in place...already in  
14 place that the correlative rights of all people in this unit  
15 to the production of gas from this unit will be protected  
16 both those who have ownership interests and those who have  
17 claims?

18 A. Yes.

19 BUTCH LAMBERT: Questions from the Board?

20 (No audible response.)

21 BUTCH LAMBERT: Do I have a motion?

22 MARY QUILLEN: Motion to approve.

23 BILL HARRIS: 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 Katie Dye.)

5 BUTCH LAMBERT: Opposed, no.

6 KATIE DYE: I'll abstain.

7 BUTCH LAMBERT: One abstention Ms. Dye. Calling  
8 docket item number six, a petition from CNX Gas Company, LLC  
9 for pooling of coalbed methane unit AA-55, docket number  
10 VGOB-11-1220-3010. All parties wishing to testify, please  
11 come forward.

12 MARK SWARTZ: Mark Swartz and Anita Duty. We have  
13 some revised exhibits that we have now sorted out.

14 (Exhibits are passed out to the Board.)

15

16

17

18 ANITA DUTY

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

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. SWARTZ:

23 Q. Would you state your name for the record,  
24 please?

25

1 A. Anita Duty.

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

4 A. Yes.

5 MARK SWARTZ: Mr. Chairman, I'd like to incorporate  
6 Anita's testimony earlier today with regard to the  
7 applicant, the operator, standard lease terms and her  
8 employment.

9 BUTCH LAMBERT: Accepted.

10 MARK SWARTZ: Thank you.

11 Q. This is a...also an Oakwood, is that  
12 correct?

13 A. Yes.

14 Q. And how many wells are proposed or have been  
15 drilled in this unit?

16 A. Two.

17 Q. And if we look at the plat, it looks like  
18 one is clearly within the drilling window and the other one  
19 is on the...near the boundary?

20 A. Yes.

21 Q. And is it true that neither of these have  
22 been drilled yet?

23 A. No, actually they...no, they have not.  
24 Sorry.

25

1 Q. Okay. And have you provided the Board with  
2 information pertaining to these two wells, their costs and  
3 so forth?

4 A. Yes.

5 Q. Okay. With regard to well AA-55, what is  
6 the cost estimate?

7 A. \$353,981.

8 Q. With regard to A-55A, the cost?

9 A. \$358,975.83.

10 Q. Okay. And then in your application and  
11 notice you've indicated that the sum of the total of the cost  
12 is \$712,956.83, is that correct?

13 A. Yes.

14 Q. Okay. What are the anticipated depths of  
15 these two wells?

16 A. For AA-55 1,919 feet. And for AA-55A 1,905  
17 feet.

18 Q. Okay. Are both of these frac wells or  
19 anticipated to be frac wells?

20 A. Yes.

21 Q. And have you included the costs of fracing  
22 in the completion costs for both?

23 A. Yes.

24 Q. Okay. Is it your opinion that drilling two  
25

1 frac wells in this unit and the locations depicted on the  
2 plat that that is a reasonable way to develop the coalbed  
3 methane resource from within and under this Oakwood unit?

4 A. Yes.

5 Q. Okay. The...you have listed in your notice  
6 of hearing and in your exhibits to the application and so  
7 forth a number of folks as respondents, correct?

8 A. Yes.

9 Q. And you have filed some revised exhibits  
10 today because there has been a slight change in the list,  
11 is that true?

12 A. Yes.

13 Q. Okay. And what was the cause?

14 A. We had information to show that Donnie Lowe  
15 was deceased and we've added his heirs.

16 Q. And have you then in Exhibit B-2 made the  
17 revised Exhibit B-2 show the changes that you needed to make,  
18 correct, and the reasons?

19 A. Yes.

20 Q. And then have you revised Exhibit B-3 which  
21 accompanied the original application and the Exhibit E which  
22 accompanied the original application accordingly?

23 A. Yes.

24 Q. Do you want to add anyone beyond the folks  
25

1 shown on the revised Exhibit B-3 as respondents today?

2 A. No.

3 Q. Do you want to dismiss anyone other than the  
4 decedent or his estate as indicated on Exhibit B-2?

5 A. No.

6 Q. So, with the revised exhibits we've got the  
7 right respondents?

8 A. We have.

9 Q. And what did you do to notify the  
10 respondents and other that we were going to have a hearing  
11 today?

12 A. We mailed by certified mail return receipt  
13 requested on November the 18th, 2011. We published the  
14 notice and location map in the Bluefield Daily Telegraph on  
15 November the 25th, 2011.

16 Q. What interests have you been able to acquire  
17 in this unit and what are you seeking to pool?

18 A. We've acquired 100% of the coal owner's  
19 claim to CBM and 97.6696% of the oil and gas owner's claim  
20 to CBM. We're seeking to pool 2.3304% of the oil and gas  
21 owner's claim to CBM.

22 Q. Is there an escrow requirement?

23 A. There is for Tracts 1B, 1C, 1D, 2 and 6.

24 Q. Okay. And it looks like there is a  
25

1 traditional conflict in those tracts, correct?

2 A. Yes.

3 Q. And then we also have some unknowns or  
4 unlocateables in 1D and 6, is that correct?

5 A. And 2.

6 Q. And 2, okay.

7 A. Yes.

8 Q. And we have no split agreements?

9 A. No.

10 Q. Is it your opinion that if you...if you  
11 combine the interests that you've acquired by lease or  
12 purchase as operator with a pooling order pooling the  
13 respondents named and as modified in the revised exhibits  
14 that were filed today, that the claims of all persons to the  
15 coalbed methane resource in this unit will be protected  
16 whether their claims based on ownership or claims based on  
17 conflicting claims?

18 A. Yes.

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

20 BUTCH LAMBERT: Any questions from the Board?

21 (No audible response.)

22 BUTCH LAMBERT: Do I have a motion?

23 MARY QUILLEN: Motion to approve.

24 BILL HARRIS: Second.

25



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

3 A. Yes.

4 MARK SWARTZ: Mr. Chairman, I'd like to incorporate  
5 Anita's testimony from earlier today with regard to the  
6 applicant, the operator, standard lease terms and her  
7 employment.

8 BUTCH LAMBERT: Accepted.

9 MARK SWARTZ: Thank you.

10 Q. What kind of unit is this? Is this a  
11 statewide spacing unit?

12 A. It is.

13 Q. Okay. And it's based on a 500 foot radius,  
14 it looks like.

15 A. Yes.

16 Q. And that contains how many acres?

17 A. 18.03.

18 Q. And this is a coalbed methane gas well under  
19 statewide spacing?

20 A. It is.

21 Q. And is the well that's located in the center  
22 of the circle proposed to be a frac well?

23 A. Yes.

24 Q. Have you provided the Board with a cost  
25

1 estimate with regard to that well?

2 A. I have. It's \$351,336.90.

3 Q. And the...it looks like you've got a permit  
4 for that.

5 A. 11,541.

6 Q. And what's the depth?

7 A. 1,506 feet.

8 Q. And you have quite a list of folks on the  
9 first page listed as respondents, correct?

10 A. Yes.

11 Q. I assume that your other exhibits recapture  
12 those names in the application as well.

13 A. It does.

14 Q. Okay. And when this was filed, those were  
15 the folks that needed to be pooled?

16 A. Well, we notified everybody within the  
17 unit.

18 Q. Correct.

19 A. So, not all of them will be pooled.

20 Q. Okay. Some of them have leases from?

21 A. Yes.

22 Q. But those were the original list of folks  
23 that you notified?

24 A. It was. It is.

25

1 Q. And then do you want to make any changes to  
2 the list of respondents?

3 A. The only thing is that we had a lease from  
4 Patricia Edgar. So, we're showing those leases in the  
5 revisions.

6 Q. Okay. So, the revised exhibits that you  
7 have passed out today, the only change is you've changed the  
8 status of Patricia Baker from being someone that needed to  
9 be pooled to obtain a relationship as to someone that you  
10 have a lease relationship with?

11 A. Yes.

12 Q. Okay. And so then with regard to B-2 and  
13 B-3 those changes would be reflected?

14 A. Yes.

15 Q. And, obviously, having a little bit more  
16 leased I assume the percentage of interest that needed to  
17 be pooled went down a little bit?

18 A. Yes.

19 Q. When it was filed, it was .5990 and now it  
20 is what?

21 A. .5923.

22 Q. Okay. And is that both coal and oil and  
23 gas?

24 A. It is.

25

1 Q. And then with the other piece of that, the  
2 roughly 99.4%, be something that you've already acquired?

3 A. Yes.

4 Q. Okay. Is escrow required here?

5 A. Yes, only for unknowns in Tract 3.

6 Q. Okay. Is it your testimony that if you  
7 combine your leasing efforts and acquisition efforts where  
8 the applicant has been successful with a pooling order  
9 pooling the roughly 6% interest in the unit that you haven't  
10 been able to acquire, that the correlative rights and claims  
11 of all parties would be protected?

12 A. Yes.

13 Q. And is it your opinion that drilling a frac  
14 well in this statewide spacing unit if it's corrected as  
15 indicated would be a reasonable way to develop coalbed  
16 methane in this location?

17 A. Yes.

18 Q. What did you do to notify people that we were  
19 going to have a hearing today?

20 A. We mailed by certified mail return receipt  
21 requested on November the 18th, 2011. We published the  
22 notice and location map in the Bluefield Daily Telegraph on  
23 November the 23rd, 2011.

24 Q. And have you either already delivered your  
25

1 certificates with regard to mailing and your proof of  
2 publication to the Director today or are you going to do it  
3 immediately?

4 A. Yes. I already did.

5 Q. You already did?

6 A. Yes.

7 MARK SWARTZ: Okay, good. That's all I have, Mr.  
8 Chairman.

9 BUTCH LAMBERT: Any questions from the Board?

10 ALLEN COMPTON: Ms. Duty, maybe I don't understand  
11 this, but on page one of one it says, "surface  
12 owner...unknown surface owner". What does that mean?

13 ANITA DUTY: Well, normally if we're not disturbing  
14 surface we don't run title on the surface. That's just our  
15 normal---.

16 ALLEN COMPTON: You know who it is, but you don't  
17 run it?

18 ANITA DUTY: Unless we have title, we don't. We  
19 don't identify it. If we're not disturbing it, we don't  
20 identify it.

21 ALLEN COMPTON: Okay. I thought, you know, if you  
22 needed to know your tax records would indicate it. Maybe  
23 I just don't understand what you were doing.

24 MARK SWARTZ: I think what you will see when you look  
25

1 at our applications, you'll notice that this well is going  
2 to be located on...it looks like on Tract 2, I'm thinking.  
3 Is that...or no?

4 (Anita Duty and Mark Swartz confer.)

5 BUTCH LAMBERT: Any other questions from the Board?

6 SHARON PIGEON: Has he finished? I don't think he  
7 has.

8 BUTCH LAMBERT: Oh, I'm sorry.

9 MARK SWARTZ: Actually, Anita has straightened me  
10 out here. It's actually located on Tract 1. And if you'll  
11 notice we have provided with regard to Tract 1 in your tract  
12 identifications, the page you just showed us, that's a fee  
13 tract. So, we have identified, you know, the people whose  
14 surface we're going to be disturbing. The other tracts in  
15 this unit we're not going to be one them, the surface tracts.  
16 So, we don't normally identify those people. Sometimes I  
17 suppose it's true we would know who they were. But I'm  
18 thinking sometimes we don't.

19 ANITA DUTY: I don't think we...we have title run  
20 if we're not going to disturb them. Just the normal  
21 (inaudible).

22 ALLEN COMPTON: Okay. Thank you.

23 BUTCH LAMBERT: Any other questions?

24 BILL HARRIS: Let me just---.

25

1           BUTCH LAMBERT: Mr. Harris.

2           BILL HARRIS: ---ask actually about the location  
3 of this. This is...well, this is probably obvious, but  
4 outside of the areas that we do have field rules I see the  
5 Oakwood Field to the left and your Exhibit 1-A or A-1, I'm  
6 sorry, shows the Oakwood to the left and Middle. And I  
7 guess I'm just sort of surprised that there's that for CBM  
8 that there's no field rules. Do you all...are there a lot  
9 of wells drilled in this area or to be drilled in this area?

10           ANITA DUTY: There are a lot of wells in that area.

11           BILL HARRIS: And that started out being  
12 conventional? I mean, obviously it's---

13           ANITA DUTY: No, most of those are CBM.  
14 That's...we've got a large...like Burwind Land Company and  
15 Pocahontas Mining and those properties down in that area  
16 that we have most of the time a 100% of those areas leased.  
17 So, actually...most of the time we just have to create a unit  
18 and (inaudible).

19           MARK SWARTZ: So, you don't see us.

20           ANITA DUTY: Right.

21           MARK SWARTZ: But there are a lot of statewide units  
22 to focus in on your question.

23           BILL HARRIS: Well, I was just...I don't know how  
24 often we see this outside. But, obviously, we do see that.

25

1 I was just sort of surprised.

2 MARK SWARTZ: Well, you don't...I mean, in the  
3 number that you see, Mr. Harris, of these statewide units  
4 is pretty small compared to the total because we tend to  
5 drill them on large acreages like Burwind and PMC where they  
6 own fee or all of the minerals and we don't have to pool and  
7 they're thousands and thousands of acres. So, you know,  
8 they're a lot of wells on that acreage, but we don't come  
9 in front of you because they're voluntary units.

10 BUTCH LAMBERT: Any other questions from the Board?

11 (No audible response.)

12 BUTCH LAMBERT: Anything further, Mr. Swartz?

13 MARK SWARTZ: I'm finished.

14 BUTCH LAMBERT: Okay. Do I have a motion?

15 MARY QUILLEN: Motion to approve.

16 ALLEN COMPTON: Second.

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

19 (No audible response.)

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

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

22 BUTCH LAMBERT: Opposed, no.

23 KATIE DYE: I'll abstain.

24 BUTCH LAMBERT: One abstention Ms. Dye. Calling  
25

1 docket item number eight, a petition from CNX Gas Company,  
2 LLC for pooling of coalbed methane unit BH-115, docket  
3 number VGOB-11-1220-3012. All parties wishing to testify,  
4 please come forward.

5 MARK SWARTZ: Mark Swartz and Anita Duty.

6 BUTCH LAMBERT: You may proceed, Mr. Swartz.

7 MARK SWARTZ: Thank you.

8

9 ANITA DUTY

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

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. SWARTZ:

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

16 A. Anita Duty.

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

19 A. Okay.

20 Q. We don't have any revised exhibits with  
21 this, correct?

22 A. No.

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

24 A. A Middle Ridge 58.74 acre unit.

25

1 Q. And how many wells are proposed or actually  
2 drilled in this unit?

3 A. Two.

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

6 A. Within the drilling window.

7 Q. And this is a CBM unit?

8 A. It is.

9 Q. And are both of those wells frac wells?

10 A. Yes.

11 Q. Have you provided the Board with  
12 information concerning their cost?

13 A. Yes.

14 Q. Okay. Taking them in either order, tell us  
15 about that.

16 A. For well BH-115 the cost of \$303,753. Do  
17 you want me to---?

18 Q. Yeah, go ahead.

19 A. Okay. The estimated well depth is 1,705  
20 feet. The permit number is 5938 and it has been modified  
21 once. For BH-115A the cost is \$386,958.58. The depth is  
22 2,655 feet. The permit number is 11402.

23 Q. Is it your opinion that drilling those two  
24 frac wells in the drilling window of this Middle Ridge unit

25

1 is a reasonable way to produce coalbed methane from within  
2 and under that unit?

3 A. Yes.

4 Q. Okay. Have you listed the folks in the unit  
5 in your notice of hearing and in your exhibits to the  
6 application that you do not have agreements with and that  
7 need to be pooled?

8 A. Yes.

9 Q. Do you want to add any folks to that list  
10 today?

11 A. No.

12 Q. Do you want to dismiss anybody?

13 A. No.

14 Q. What did you do to notify the respondents  
15 and others that we would be having a hearing today?

16 A. We mailed by certified mail receipt  
17 requested on November the 18th, 2011. We mailed the  
18 notice...or published the notice and location map in the  
19 Bluefield Daily Telegraph on November the 25th, 2011.

20 Q. And I take you've delivered copies of your  
21 certificates of mailing and proof publication to the  
22 Director?

23 A. I have.

24 Q. Okay. What interests have you

25

1 acquired...has the applicant acquired and what...what are  
2 you seeking to pool in this unit?

3 A. We've acquired 99.2869% of the coal, oil and  
4 gas owner's claim to CBM and we are seeking to pool 0.7131%  
5 of the coal, oil and gas owner's claim to CBM.

6 Q. Is it your opinion that if you combine a  
7 pooling order pooling the respondents with the agreements  
8 that you've been able to reach with everyone else in the  
9 unit, that the correlative rights of all owners and  
10 claimants in this unit will be protected?

11 A. Yes.

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

13 BUTCH LAMBERT: Any questions from the Board?

14 BILL HARRIS: Mr. Chairman.

15 BUTCH LAMBERT: Mr. Harris.

16 BILL HARRIS: I notice a couple of folks here, look  
17 at Exhibit B-3 page one of two. There are some address  
18 unknown folks. Do we not need to escrow money?

19 ANITA DUTY: We do. We have made a note, but we  
20 didn't say anything. So, yes, I need to submit one. Sorry.

21 BILL HARRIS: So---.

22 SHARON PIGEON: We need to hear some testimony about  
23 that.

24 BILL HARRIS: Yeah.

25

1 Q. So, you need escrow with regard to Tract 2  
2 not because anyone is in conflict because if you compare them  
3 they're not in conflict.

4 A. Correct.

5 Q. But we have a couple of unknown folks  
6 apparently?

7 A. We do.

8 Q. Okay. And we need escrow just for that?  
9 Like at the foot of each page there's heirs unknown.

10 BILL HARRIS: Yes.

11 Q. Correct. And you're going to submit---?

12 A. We will.

13 Q. ---an Exhibit E?

14 A. Yes.

15 Q. Okay. And we don't have any split  
16 agreements as long as we're on that topic, correct?

17 A. Correct.

18 MARK SWARTZ: You zeroed right in on that, Mr.  
19 Harris.

20 BILL HARRIS: Well, I just (inaudible).

21 ANITA DUTY: I did have a note, but I just didn't  
22 say it.

23 BUTCH LAMBERT: Mr. Swartz, in case I missed it, did  
24 you testify or did Ms. Duty testify to the terms?

25

1           MARK SWARTZ: Yes, we incorporated those.

2           BUTCH LAMBERT: Okay. I'm sorry.

3           MARK SWARTZ: That's cool. That's all right.

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

6           (No audible response.)

7           BUTCH LAMBERT: Anything further, Mr. Swartz?

8           MARK SWARTZ: No.

9           BUTCH LAMBERT: Do I have a motion?

10          MARY QUILLEN: Motion to approve with the  
11 additional exhibit being sent to the Director's office of  
12 the Gas and Oil.

13          BUTCH LAMBERT: Do I have a second?

14          BILL HARRIS: Second.

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

17          (No audible response.)

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

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

20          BUTCH LAMBERT: Opposed, no.

21          KATIE DYE: I'll abstain.

22          BUTCH LAMBERT: One abstention Ms. Dye. And for  
23 the record, I need to back up and correct what I read for  
24 docket item number seven. I think I read that was a

25

1 conventional unit when the order says that's a coalbed  
2 methane.

3 SHARON PIGEON: The docket was published  
4 incorrectly.

5 MARK SWARTZ: Oh, okay. Okay.

6 BUTCH LAMBERT: We're calling docket item number  
7 nine. A petition from CNX Gas Company, LLC for pooling of  
8 coalbed methane unit ZZZ-33, docket number  
9 VGOB-11-1220-3013. All parties wishing to testify, please  
10 come forward.

11 MARK SWARTZ: Mark Swartz and Anita Duty.

12

13

14

15

16

17

18

ANITA DUTY

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

21

DIRECT EXAMINATION

22 QUESTIONS BY MR. SWARTZ:

23

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

24

A. Anita Duty.

25

1                   MARK SWARTZ: Mr. Chairman, I'd like to incorporate  
2 Anita's prior testimony today with regard to the applicant,  
3 the operator, standard lease terms and her employment.

4                   BUTCH LAMBERT: Accepted.

5                   MARK SWARTZ: Thank you.

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

7                   A.       An Oakwood 80.

8                   Q.       And how many wells are proposed?

9                   A.       Two.

10                  Q.       And have you shown their locations on the  
11 plat map?

12                  A.       Yes.

13                  Q.       Okay. And it looks like one of them ZZZ-33  
14 is inside the drilling window and ZZZ-33A is outside,  
15 correct?

16                  A.       Correct.

17                  Q.       Okay. Have you provided the Board with  
18 cost information for these two wells?

19                  A.       Yes.

20                  Q.       Okay. Start...take them in either order  
21 and give us the data...a summary of the data that you've  
22 provided.

23                  A.       Okay. For ZZZ-33 the estimated cost is  
24 \$329,139. The estimated depth is 2,318 feet. There are no

25

1 permits are this time. For ZZZ-33A the estimated cost is  
2 \$350,345. The estimated depth is 2,320 feet and there's no  
3 permit.

4 Q. Okay. Is it your opinion that drilling  
5 these two...strike that. Are these frac wells?

6 A. Yes.

7 Q. Is it your testimony that or opinion that  
8 drilling these two frac wells in this Oakwood unit is a  
9 reasonable way to produce coalbed methane from within and  
10 under that unit?

11 A. Yes.

12 Q. You have listed in the notice of hearing in  
13 sort of the two blank a list of folks that you've identified  
14 as respondents, correct?

15 A. Yes.

16 Q. And do we need to add anyone to the list of  
17 respondents today?

18 A. No.

19 Q. Do we need to dismiss any of those folks?

20 A. No.

21 Q. In that regard, have you...what did you do  
22 to provide these respondents and other who might be  
23 interested that there was going to be a hearing today?

24 A. We mailed by certified mail return receipt

25

1 requested on November the 18th, 2011 and published the  
2 notice and location map in the Bluefield Daily Telegraph on  
3 November the 23rd, 2011.

4 Q. And have you provided your certificates  
5 with regard to mailing and your proof of publication to the  
6 Director?

7 A. Yes.

8 Q. What is the standing or the interests of the  
9 operator and applicant in this unit and what is it that needs  
10 to be pooled?

11 A. We've acquired 99.6352% of the coal owner's  
12 claim to CBM and 75.3040% of the oil and gas owner's claim  
13 to CBM. We're seeking to pool 0.3648% of the coal owner's  
14 claim to CBM and 24.6960% of the oil and gas owner's claim  
15 to CBM.

16 Q. And is it your opinion that if you combine  
17 the terms of the standard pooling order with regard to the  
18 respondents with the agreements that the applicant has  
19 obtained that the correlative rights of all owners and  
20 claimants in this unit to this production would be  
21 protected?

22 A. Yes.

23 Q. Is there an escrow requirement?

24 A. There is.

25

1 Q. And have you provided an Exhibit E to the  
2 Board in this instance?

3 A. Yes.

4 Q. Okay. And what tracts need to be escrowed?

5 A. Tracts 1, 2, 3 and 4.

6 Q. And the reasons?

7 A. Tracts 1, 3 and 4 are four the normal CBM  
8 claim and Tract 2 is for unlocateables only.

9 Q. Okay. And, again, we have...as has been  
10 the case today, we don't have any split agreements with  
11 regard to this unit?

12 A. Correct.

13 MARK SWARTZ: Mr. Chairman, that's all I have on  
14 ZZZ-33.

15 BUTCH LAMBERT: Any questions from the Board?

16 BILL HARRIS: Mr. Chairman, let me just ask a quick  
17 question. On your Exhibit E, there's a note and...if you  
18 wanted to look at I guess page one of four. I notice under  
19 the Tract 1, for instance, only one-fourth interest should  
20 be escrowed. Can you address that?

21 ANITA DUTY: Well, if you'll notice on the oil and  
22 gas side, the letter A is missing. The letter A is actually  
23 LBR Holdings and they own three-fourths of that oil and gas  
24 interest. So, the outstanding one-fourth is in conflict

25

1 with the remaining heirs.

2 BILL HARRIS: Okay.

3 MARK SWARTZ: The list of people under oil and gas  
4 ownership, the Rogers, there's like six or eight of them,  
5 they're the same people that we saw earlier today. They're  
6 referred to as the people who own three quarters as the  
7 Cousins.

8 ANITA DUTY: The Rogers Cousins.

9 MARK SWARTZ: And the Cousins own...the ownership  
10 is slightly different. But they own a piece of a piece.  
11 That's the part that's in conflict because LBR actually owns  
12 the other chunk without any kind of a conflict.

13 BILL HARRIS: So, the one-fourth at the top actually  
14 is for coal and oil and gas?

15 ANITA DUTY: LBR Holdings owns a 100% of the coal.

16 BILL HARRIS: Okay.

17 ANITA DUTY: But only three-fourths of the oil and  
18 gas.

19 MARK SWARTZ: So, only a quarter of the oil and gas  
20 interest is in conflict. That's...I mean, that's how you  
21 sort of back into that problem.

22 BILL HARRIS: Okay. I guess---

23 MARK SWARTZ: LBR owns all of the coal and three  
24 quarters of the gas claims.

25

1           BILL HARRIS: Okay. I...well---

2           MARK SWARTZ: That's why they're not...LBR is not  
3 listed on the escrow because they get back...paid out  
4 directly to them.

5           BILL HARRIS: Okay. Thank you.

6           BUTCH LAMBERT: Any other questions from the Board?

7           (No audible response.)

8           BUTCH LAMBERT: Do I have a motion?

9           MARY QUILLEN: Motion to approve.

10          BILL HARRIS: Second.

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

13          (No audible response.)

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

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

16          BUTCH LAMBERT: Opposed, no.

17          KATIE DYE: I'll abstain.

18          BUTCH LAMBERT: One abstention Ms. Dye.

19          MARK SWARTZ: As Anita's and my Christmas present  
20 to the Board, we would like to continue item ten.

21          BUTCH LAMBERT: Until?

22          MARK SWARTZ: Can you amend it by next month or do  
23 you want sixty days?

24          ANITA DUTY: Let's just do the next month.

25

1                   MARK SWARTZ: Until next month.

2                   BUTCH LAMBERT: January?

3                   MARK SWARTZ: Correct.

4                   BUTCH LAMBERT: Okay.

5                   MARK SWARTZ: We're going to amend that now that  
6 we've got rules.

7                   BUTCH LAMBERT: A petition from CNX Gas Company, LLC  
8 for creation of a 320 acre provisional drilling unit and  
9 pooling for conventional horizontal unit U65SH, docket  
10 number VGOB-11-1220-3014 will be continued until January.  
11 Thank you, folks. Have a Merry Christmas.

12                   MARK SWARTZ: Thank you very much. Merry  
13 Christmas.

14                   MARY QUILLEN: Merry Christmas.

15                   BUTCH LAMBERT: We're calling docket item number  
16 eleven. A petition from Range Resources-Pine Mountain,  
17 Inc. for a well location exception for proposed well  
18 V-530323, docket number VGOB-11-1220-3015. All parties  
19 wishing to testify, please come forward.

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

22                   (Exhibits are passed out.)

23                   (Phil Horn is duly sworn.)

24                   TIM SCOTT: Do you think Gus' took the last time?

25

1 (Laughs.)

2 TIM SCOTT: Oh, okay. Sorry.

3 BUTCH LAMBERT: Do you think we had better do him  
4 again though just in case it didn't take?

5 SHARON PIGEON: We think it did, but we can't be a  
6 100% sure. He used to work for the State.

7 ALLEN COMPTON: Kind of like being baptized.  
8 Sometimes you have got to do it twice.

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

10 TIM SCOTT: Thank you, Mr. Chairman.

11

12

13

14

PHIL HORN

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

17

DIRECT EXAMINATION

18 QUESTIONS BY MR. SCOTT:

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

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

23 Q. Are you familiar with this application?

24 A. Yes, I am.

25

1 Q. And you're also familiar with the ownership  
2 of the minerals underlying this unit, is that right?

3 A. That is correct.

4 Q. The owners are set forth on Exhibit B, is  
5 that correct?

6 A. That is correct.

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

9 A. EQT Production Company.

10 Q. So...but in this particular situation Range  
11 is both an owner and participates, is that correct?

12 A. That's correct.

13 Q. How were...how was notice of this hearing  
14 provided to the parties listed on Exhibit B?

15 A. By certified mail.

16 Q. And those proof of mailings have been  
17 provided to the Board, is that correct?

18 A. That is correct.

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

20 BUTCH LAMBERT: Any questions from the Board?

21 (No audible response.)

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

23 TIM SCOTT: Thank you.

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, your 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. And you're familiar with this application, is that correct?

A. I am.

Q. And please tell the Board why we're seeking a well location exception for this particular unit today?

A. Yes. If the Board will refer to Exhibit AA, you'll see the location of proposed well 530223 located in the center of the map outlined in red with the green stippled area. This well has been positioned to maximize the recovery of the remaining natural gas resources stranded with relationship to the existing offsetting wells. There is no location available that meets the statewide spacing requirements. In the event the well is not drilled, approximately 67.37 acres of reserves would be stranded.

1 Q. What's the proposed depth of this well?  
2 A. 6,653 feet.  
3 Q. And if the application were not granted,  
4 what would be the loss of reserves?  
5 A. 325 million cubic feet of gas.  
6 Q. So, we've got...we don't have any  
7 correlative rights issues here, is that correct?  
8 A. That is correct.  
9 Q. But if the application is granted, it would  
10 promote conservation and prevent waste, is that correct?  
11 A. That is correct.  
12 TIM SCOTT: That's all I have for Mr. Jansen.  
13 BUTCH LAMBERT: Any questions from the Board?  
14 (No audible response.)  
15 BUTCH LAMBERT: Anything further, Mr. Scott?  
16 TIM SCOTT: That's all I have for this witness, Mr.  
17 Chairman.  
18 BUTCH LAMBERT: Do I have a motion?  
19 MARY QUILLEN: Motion to approve.  
20 BILL HARRIS: 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.)

2 BUTCH LAMBERT: Opposed, no.

3 (No audible response.)

4 BUTCH LAMBERT: Thank you, Mr. Scott. It's  
5 approved. Calling docket item number twelve, a petition  
6 from Range Resources-Pine Mountain, Inc. for a well location  
7 exception for proposed well V-530326, docket number  
8 VGOB-11-1220-3016. All parties wishing to testify, please  
9 come forward.

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

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

13 TIM SCOTT: Thank you.

14

15 PHIL HORN

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

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SCOTT:

20 Q. Mr. Horn, again, your name, by whom you're  
21 employed and your job description.

22 A. Phil Horn. I'm the land manager for Range  
23 Resources-Pine Mountain, Inc.

24 Q. Are you familiar with this application?

25

1 A. Yes, I am.

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

4 A. Yes, I am.

5 Q. And are the owners of the minerals set forth  
6 on Exhibit B?

7 A. That is correct.

8 Q. Can you tell us who operates the wells from  
9 which the well location exception is sought today?

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

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

15 A. By certified mail.

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

18 A. Yes, you have.

19 TIM SCOTT: Okay. That's all I have for Mr. Horn  
20 on this one.

21 BUTCH LAMBERT: Any questions from the Board?

22 (No audible response.)

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

24 TIM SCOTT: Thank you, Mr. Chairman.

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, your 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. Are you familiar with this application?

A. I am.

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

A. Yes. Again, if the Board will refer to Exhibit AA, you'll see the location of the proposed well 530326 again outlined in red with the green stippled area. 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 event the well is not drilled approximately 85.99 acres of reserves would be stranded.

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

3 A. 6,429 feet.

4 Q. And the potential loss of reserves if the  
5 application were not granted today?

6 A. 500 million cubic feet of gas.

7 Q. Now, again, we don't have any correlative  
8 rights issues, is that right?

9 A. That is correct.

10 Q. But we...if the application is granted, it  
11 would prevent waste and promote conservation, is that also  
12 correct?

13 A. That is correct.

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

15 BUTCH LAMBERT: Any questions from the Board?

16 (No audible response.)

17 BUTCH LAMBERT: Do I have a motion?

18 MARY QUILLEN: Motion to approve.

19 BILL HARRIS: Second.

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

22 (No audible response.)

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

24 (All members signify by saying yes.)

25

1                    BUTCH LAMBERT: Opposed, no.

2                    (No audible response.)

3                    BUTCH LAMBERT: Thank you, Mr. Scott. It's  
4 approved. Calling docket item thirteen, a petition from  
5 Range Resources-Pine Mountain, Inc. for a well location  
6 exception for proposed well V-530327, docket number  
7 VGOB-11-1220-3017. All parties wishing to testify, please  
8 come forward.

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

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

12                    TIM SCOTT: Thank you, Mr. Chairman.

13                                            PHIL HORN

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

16                                            DIRECT EXAMINATION

17 QUESTIONS BY MR. SCOTT:

18                    Q.        Again, Mr. Horn, your name, by whom you're  
19 employed and your job description.

20                    A.        Phil Horn. I'm the land manager for Range  
21 Resources-Pine Mountain, Inc.

22                    Q.        You're familiar with this application, is  
23 that correct?

24                    A.        That is correct.

25

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

3 A. Yes. Range Resources-Pine Mountain, Inc.  
4 owns 100% of the minerals in this unit.

5 Q. Okay. Of course, those owners are set  
6 forth on Exhibit B, is that right?

7 A. That's correct.

8 Q. Who operates the wells from which the  
9 offset...or the well location exception is sought today?

10 A. P-91 and P-93 and P-92 are operated by EQT  
11 Production Company and we also have an interest in those  
12 wells. V-530287 is operated by Range Resources-Pine  
13 Mountain, Inc.

14 Q. But, again, Range is an owner of this...in  
15 this unit, is that correct?

16 A. That's correct. Yes.

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

19 A. By certified mail.

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

22 A. Yes, you have.

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

24 BUTCH LAMBERT: Any 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  
7 follows:

8 DIRECT EXAMINATION

9 QUESTIONS BY MR. SCOTT:

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

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

15 Q. And you're familiar with this application?

16 A. I am.

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

19 A. Again, if the Board will refer to Exhibit  
20 AA, you'll see the location of proposed well 530327. Once  
21 again, this well has been positioned to maximize the  
22 recovery of the remaining natural gas resources stranded  
23 with relationship to the existing offsetting wells. There  
24 is no location available that meets the statewide spacing

25

1 requirements. In the event the well is not drilled,  
2 approximately 70.94 acres of reserves would be stranded.

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

4 A. 5,818 feet.

5 Q. And the potential loss of reserves if the  
6 application were not granted today?

7 A. 500 million cubic feet of gas.

8 Q. So, again, we don't have a correlative  
9 rights issue. But if the well...if the application is  
10 granted, it would prevent waste and promote conservation,  
11 is that correct?

12 A. That is correct.

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

14 BUTCH LAMBERT: Any questions from the Board?

15 (No audible response.)

16 BUTCH LAMBERT: Do I have a motion?

17 MARY QUILLEN: Motion to approve.

18 BILL HARRIS: Second.

19 BUTCH LAMBERT: A motion and a second. Any further  
20 discussion?

21 (No audible response.)

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

23 (All members signify by saying yes.)

24 BUTCH LAMBERT: Opposed, no.

25

1 (No audible response.)

2 BUTCH LAMBERT: We're calling docket item fourteen.  
3 A petition from Range Resources-Pine Mountain, Inc. for a  
4 well location exception for proposed well V-530329, docket  
5 number VGOB-11-1220-3018. All parties wishing to testify,  
6 please come forward.

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

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

10 TIM SCOTT: Thank you, Mr. Chairman.

11

12 PHIL HORN

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

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. SCOTT:

17 Q. Mr. Horn, again, your name, by whom you're  
18 employed and your job description.

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

21 Q. Are familiar with this application?

22 A. Yes, I am.

23 Q. Are you familiar with the owners of the  
24 minerals underlying this unit?

25

1 A. Yes, I am.

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

4 A. That is correct.

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

7 A. EQT Production Company.

8 Q. In this particular situation, Range is also  
9 an owner, right?

10 A. That's correct.

11 Q. And participates in the operation of these  
12 wells, is that correct?

13 A. We have an interest in those wells also.

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

16 A. By certified mail.

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

19 A. Yes, you have.

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

21 BUTCH LAMBERT: Any questions from the Board?

22 (No audible response.)

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

24 TIM SCOTT: Thank you, Mr. Chairman.

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

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

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

Q. And you're familiar with this application?

A. Yes, I am.

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

A. Again, referring to Exhibit AA, you'll see the location of proposed well 530329 as the well 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 the existing offsetting wells. There is no location available that meets the statewide spacing requirements. The well is also co-located with a CBM well at this site to minimize the surface disturbance in this

1 area. In the event the well is not drilled approximately  
2 77.71 acres of reserves would be stranded.

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

4 A. 5,529 feet.

5 Q. And the potential loss of reserves if the  
6 application were not granted?

7 A. 400 million cubic feet of gas.

8 Q. And we have...if the application is granted  
9 then it would prevent waste and promote conservation, is  
10 that correct?

11 A. That is correct.

12 Q. And we have no correlative rights issues  
13 with this particular unit, is that right?

14 A. That's correct.

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

16 BUTCH LAMBERT: Any questions from the Board?

17 (No audible response.)

18 BUTCH LAMBERT: Do I have a motion?

19 MARY QUILLEN: Motion to approve.

20 ALLEN COMPTON: 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.)

2 BUTCH LAMBERT: Opposed, no.

3 (No audible response.)

4 BUTCH LAMBERT: Thank you, Mr. Scott. That's  
5 approved. Calling docket item fifteen, a petition from  
6 Range Resources-Pine Mountain, Inc. for a well location  
7 exception for proposed well V-530330, docket number  
8 VGOB-11-1220-3019. All parties wishing to testify, please  
9 come forward.

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

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

13 TIM SCOTT: Thank you, Mr. Chairman.

14

15 PHIL HORN

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

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SCOTT:

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

22 A. Phil Horn. I'm the land manager for Range  
23 Resources-Pine Mountain, Inc.

24 Q. Are familiar with this application?

25

1 A. Yes, I am.

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

4 A. Yes, they are.

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

7 A. P-158 is operated by EQT Production Company  
8 by Range also has an interest in that well.

9 W-530200 is operated by Range Resources-Pine Mountain, Inc.

10 Q. In this particular unit, Range is an owner  
11 and an operator, is that right?

12 A. That's correct.

13 Q. Now, we have some unknowns in this  
14 particular unit, is that right?

15 A. That's correct.

16 Q. So, how was notice of this hearing provided  
17 to the parties listed on Exhibit B?

18 A. By certified mail and also by publication  
19 in the Dickenson Star on November the 23rd, 2011.

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

22 A. Yes, you have.

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

24 BUTCH LAMBERT: Mr. Horn, you listed Joseph Kiser,

25

1 Jr. as an unknown heir. I don't think...if this is the Mr.  
2 Kiser that I'm familiar with in that area, he doesn't  
3 actually live in that location. He owns property in that  
4 location. But I think he lives actually on Sandy Ridge...on  
5 the Ridge going towards Coeburn.

6 PHIL HORN: This...this Joseph Kiser, Jr. reserved  
7 oil and gas years ago and kind of disappeared. We're  
8 probably going to come back and force pool this well next  
9 month and I'll go ahead and go into detail about that at that  
10 time.

11 BUTCH LAMBERT: Okay. Good. Thank you.

12 PHIL HORN: Yes, sir.

13 BUTCH LAMBERT: Any other questions from the Board?

14 (No audible response.)

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

16 TIM SCOTT: Thank you.

17

18 GUS JANSEN

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

21 DIRECT EXAMINATION

22 QUESTIONS BY MR. SCOTT:

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

25

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

4           Q.       And you're familiar with this application,  
5 is that correct?

6           A.       I am.

7           Q.       And please tell the Board why we're seeking  
8 a well location exception for this particular unit?

9           A.       Yes. Again, if the Board will refer to  
10 Exhibit AA, you'll see the location of proposed well 530330.  
11 This well is being positioned due to the steep terrain and  
12 topographic constraints resulting in the maximum recovery  
13 of the natural gas resources with the relationship to the  
14 existing offsetting wells. The nearest feasible location  
15 meeting statewide spacing requirements identified is  
16 approximately...is greater than 1250 feet to the southwest.  
17 In the event the well is not drilled at this location,  
18 approximately 103.23 acres of reserves will be stranded.

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

20          A.       7,100 feet.

21          Q.       And if the potential loss of reserves if the  
22 application were not granted today?

23          A.       400 million cubic feet of gas.

24          Q.       So, in your opinion, if this application is  
25

1 granted, it will prevent waste, promote conservation and  
2 protect 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 (No audible response.)

7 BUTCH LAMBERT: Do I have a motion?

8 MARY QUILLEN: Motion to approve.

9 BILL HARRIS: Second.

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

12 (No audible response.)

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

14 (All members signify by saying yes.)

15 BUTCH LAMBERT: Opposed, no.

16 (No audible response.)

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

19 TIM SCOTT: Thank you, sir.

20 BUTCH LAMBERT: We're calling docket item sixteen.

21 A petition from Range Resources-Pine Mountain, Inc. for a  
22 well location exception for proposed well  
23 V-530331, docket number VGOB-11-1220-3020. All parties  
24 wishing to testify, please come forward.

25

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

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

4                    TIM SCOTT: Thank you, Mr. Chairman.

5

6                                            PHIL HORN

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

9                                            DIRECT EXAMINATION

10 QUESTIONS BY MR. SCOTT:

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

13                    A.        Phil Horn.        I'm employed by Range  
14 Resources-Pine Mountain, Inc. as the land manager.

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

17                    A.        Yes.    It's 100% Range mineral ownership.

18                    Q.        Are you familiar with who operates these  
19 wells from which the well location exception is sought  
20 today?

21                    A.        Those wells are both operated by Range  
22 Resources-Pine Mountain, Inc.

23                    Q.        Okay.    And in this particular case, you're  
24 an operator and an owner, is that right?

25

1 A. That's correct.

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

4 A. By certified mail.

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

7 A. Yes, you have.

8 TIM SCOTT: Okay. Thank you. That's all I have  
9 for Mr. Horn.

10 BUTCH LAMBERT: Any questions from the Board?

11 (No audible response.)

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

13 TIM SCOTT: Thank you, Mr. Chairman.

14

15 GUS JANSEN

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

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SCOTT:

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

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

25

1           Q.     You're familiar with this application, is  
2 that correct?

3           A.     I am.

4           Q.     Please tell the Board why we're seeking a  
5 well location exception for this particular unit today?

6           A.     Again, referring to Exhibit AA, you'll see  
7 the location of proposed well 530331 again outlined in red  
8 with the green stippled area. This well has been positioned  
9 due to the terrain constraints of the area. It will result  
10 in the maximum recovery of the natural gas resources with  
11 the relationship of these offsetting wells. The nearest  
12 feasible location meeting the statewide spacing  
13 requirements that we've identified is approximately 500 to  
14 800 feet to the northeast. So, in the event of not  
15 drilling the well at this location will result in 110.9 acres  
16 of stranded acreage.

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

18          A.     7,271 feet.

19          Q.     And the potential loss of reserves if the  
20 application were not approved today?

21          A.     400 million cubic feet of gas.

22          Q.     So, in this particular case, if the  
23 application is granted, it would prevent waste and promote  
24 conservation, is that right?

25

1 A. That is correct.

2 Q. We have no correlative rights issues, is  
3 that correct?

4 A. Correct.

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

6 BUTCH LAMBERT: Any questions from the Board?

7 (No audible response.)

8 BUTCH LAMBERT: Do I have a motion?

9 MARY QUILLEN: Motion to approve.

10 BILL HARRIS: Second.

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

13 (No audible response.)

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

15 (All members signify by saying yes.)

16 BUTCH LAMBERT: Opposed, no.

17 (No audible response.)

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

20 TIM SCOTT: Thank you.

21 BUTCH LAMBERT: We're calling docket item number  
22 seventeen. A petition from Range Resources-Pine Mountain,  
23 Inc. for a well location exception for proposed well  
24 V-530245, docket number VGOB-11-1220-3031. All parties

25

1 wishing to testify, please come forward.

2 TIM SCOTT: They're all up.

3 BUTCH LAMBERT: Oh, man.

4 SHARON PIGEON: Okay.

5 BUTCH LAMBERT: How about that? We have a system.

6 SHARON PIGEON: We're starting from scratch, it  
7 would appear.

8 (Exhibits are passed out.)

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

10 TIM SCOTT: Thank you, Mr. Chairman.

11

12 PHIL HORN

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

15 DIRECT EXAMINATION

16 QUESTIONS BY MR. SCOTT:

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

19 A. Phil Horn. I'm the land manager for Range  
20 Resources-Pine Mountain, Inc.

21 Q. Are familiar with this application?

22 A. Yes, I am.

23 Q. And you're familiar with the ownership of  
24 the minerals underlying the unit, is that correct?

25

1 A. That's correct.

2 Q. And we've provided the Board with a revised  
3 application. Can you tell the Board why we did that?

4 A. We initially applied for this exception  
5 location and we only listed 550497 well to the southwest and  
6 we determined afterwards that 750359 was also closer than  
7 2500 feet.

8 Q. Okay.

9 A. So, we've added a well.

10 Q. Okay. Who operates those wells

11 A. Those wells operated by EQT Production  
12 Company and Range also has an interest in these wells.

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

15 A. By certified mail.

16 Q. And we've sent that twice, is that correct?

17 A. That's correct.

18 Q. We sent the original and the revised, is  
19 that right?

20 A. That is correct.

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

22 BUTCH LAMBERT: Mr. Horn, you gave us two plats. One  
23 says revised Exhibit A and the other one---.

24 PHIL HORN: I gave you two plats?  
25

1           BUTCH LAMBERT: Yes. You handed out one and then  
2 there was one attached.

3           PHIL HORN: I guess you gave them the second one.

4           TIM SCOTT: Yeah, I did. I'm sorry. Did one of  
5 them have...was the seal on the first one, the one that was  
6 attached?

7           MARY QUILLEN: Uh-huh. It's not signed.

8           BUTCH LAMBERT: It's not signed.

9           SHARON PIGEON: No signature.

10          MARY QUILLEN: So, the one that you gave us is  
11 signed?

12          TIM SCOTT: Yes.

13          MARY QUILLEN: The single one?

14          BUTCH LAMBERT: Okay. Okay, thank you.

15          TIM SCOTT: I was trying to beat the clock, Mr.  
16 Chairman.

17          BUTCH LAMBERT: Any questions from the Board?  
18 Any further questions?

19                 (No audible response.)

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

21          TIM SCOTT: Thank you, Mr. Chairman.

22

23                                 GUS JANSEN

24 having been duly sworn, was examined and testified as

25

1 follows:

2 DIRECT EXAMINATION

3 QUESTIONS BY MR. SCOTT:

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

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

9 Q. And you're familiar with this application?

10 A. Yes, I am.

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

13 A. Yes. Again, referring to Exhibit AA,  
14 you'll see the location of proposed well 530245. This well  
15 has been positioned due to the steep terrain and topographic  
16 constraints. We've actually positioned the well on an  
17 abandoned surface mine bench. This will result in the  
18 maximum recovery of the natural gas resources with the  
19 relationship of the existing offsetting wells. There is no  
20 other location within this general area to locate this well  
21 at this point in time. In the event the well is not drilled,  
22 approximately 105.24 acres of reserves would be stranded.

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

24 A. 5,090 feet.

25

1 Q. And what would be the potential loss of  
2 reserves if the application were not granted today?

3 A. 650 million cubic feet of gas.

4 Q. Okay. So, in this particular case, if the  
5 application is granted, it will protect the correlative  
6 rights, prevent waste and promote conservation, is that  
7 correct?

8 A. That is correct.

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: Do I have a motion?

13 MARY QUILLEN: Motion to approve.

14 BILL HARRIS: Second.

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

17 (No audible response.)

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

19 (All members signify by saying yes.)

20 BUTCH LAMBERT: Opposed, no.

21 (No audible response.)

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

24 TIM SCOTT: Thank you, sir.

25



1 A. That's correct.

2 Q. Those owners are set forth on Exhibit B, is  
3 that right?

4 A. That is correct.

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

7 A. EQT Production Company and Range also has  
8 an interest in these wells.

9 Q. So, both an owner and operator, is that  
10 correct?

11 A. That's correct.

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

14 A. By certified mail.

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

17 A. Yes, you have.

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

19 BUTCH LAMBERT: Any questions from the Board?

20 (No audible response.)

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

22 TIM SCOTT: Thank you, Mr. Chairman.

23

24

25

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

GUS JANSEN

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

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Jansen, your 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. And you're familiar with this application?

A. I am.

Q. And would please tell the Board why we're seeking a well location exception for this particular unit?

A. Yes. Referring to Exhibit AA, you'll see the location of proposed well 530324. This well has been positioned to maximize the recovery of the remaining natural resources stranded with relationship to the existing offsetting wells. There is no location available that meets the statewide spacing requirements. In the event the well is not drilled, approximately 78.31 acres of reserves

1 will be stranded.

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

3 A. 5,367 feet.

4 Q. And the potential loss of reserves if the  
5 application were not granted today?

6 A. 500 million cubic feet of gas.

7 Q. So, in this particular case, if the  
8 application is granted, it will prevent waste, promote  
9 conservation and protect correlative rights, is that  
10 correct?

11 A. That is correct.

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

13 BUTCH LAMBERT: Any questions from the Board?

14 (No audible response.)

15 BUTCH LAMBERT: Do I have a motion?

16 MARY QUILLEN: Motion to approve.

17 BILL HARRIS: 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  
2 approved.

3           TIM SCOTT: Thank you, sir.

4           GUS JANSEN: Thank you.

5           BUTCH LAMBERT: Thank you, gentlemen. You all have  
6 a Merry Christmas.

7           GUS JANSEN: Thank you. Happy Holidays to you  
8 guys.

9           BUTCH LAMBERT: At this time, the Board will receive  
10 an update of the Board and Division activities from the  
11 staff.

12           RICK COOPER: We don't have any new item to discuss  
13 at this meeting.

14           BUTCH LAMBERT: Okay. Thank you, Mr. Cooper. The  
15 last item on the docket is the Board will receive...will  
16 review the November, 2011 minutes for approval. Are there  
17 any additions or deletions or corrections that we need to  
18 make to those minutes?

19           (No audible response.)

20           BUTCH LAMBERT: If not, I'll ask for a motion.

21           MARY QUILLEN: Motion to accept the minutes as  
22 submitted.

23           BILL HARRIS: Second.

24           BUTCH LAMBERT: I have a motion and a second. Any  
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, ladies and gentlemen. I  
8 appreciate your attendance today. I wish all of you a very  
9 Happy New Year and very Merry Christmas. Please stick  
10 around for lunch. I think we have a special Christmas  
11 dinner that has been ordered for us today.

12  
13 STATE OF VIRGINIA,

14 COUNTY OF BUCHANAN, to-wit:

15 I, Sonya Michelle Brown, Court Reporter and Notary  
16 Public for the State of Virginia, do hereby certify that the  
17 foregoing hearing was recorded by Diane Davis on a tape  
18 recording machine and later transcribed by me personally.

19 Given under my hand and seal on this the 10th day  
20 of January, 2012.

21

22 \_\_\_\_\_ NOTARY PUBLIC

23

24 My commission expires: August 31, 2013.

24 My Notary Registration No.: 186661

25